



The Honorable Timothy F. Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner,

**Re: SIFMA Views on the Upcoming Meeting of the
Economic and Financial Partnership**

On behalf of the Securities Industry and Financial Markets Association, and in advance of the upcoming Economic and Financial Partnership on June 27-28, I wanted to share our views with you about the reform and modernization of India's financial services sector and capital markets. Despite India's ongoing financial sector reforms, global firms still face a number of restrictions and a lack of transparency that hampers their access to India's capital markets. We encourage the Treasury Department to raise these issues with your Indian counterparts during this dialogue, as well as in other bilateral and global forums.

SIFMA members remain committed to the long-term development of India's financial services sector and capital markets. We believe the continued liberalization and development of the sector provides benefits to both consumers and investors in India and the U.S. More vibrant and efficient capital markets, including the development of deep and liquid bond markets, will help promote modernization of India's infrastructure, bolstering economic growth and job creation. In turn, a more economically prosperous India enhances its role as an importer of U.S. goods and services.

SIFMA and its members have engaged with Indian policymakers on financial reform for many years and we appreciate the significant steps India has taken to modernize their financial services sector. However, we are concerned about recent developments, including a January 2011 Reserve Bank of India (RBI) discussion paper regarding the presence of foreign banks in India. Among its proposals, this paper recommends foreign banks move toward the establishment of wholly owned subsidiaries rather than branches.

The proposals outlined in the RBI's discussion paper are unprecedented and inconsistent with India's global financial commitments.¹ With its membership in global bodies such as the Financial Stability Board and the International Organization of Securities Commissions, India has committed to working cooperatively with the international financial community. We support India's participation in these bodies but urge them to implement rules and regulations that are consistent with the principles of financial reform agreed to following the 2009 G20 Pittsburgh Summit. We believe the discussion paper sets a dangerous precedent for other members that may

¹ The RBI is the first G20 jurisdiction to propose moving toward a wholly owned subsidiary structure.



decide to enact restrictions without consultation that would constrain the flow of capital to and from the Indian capital markets, ultimately reducing the ability of foreign banks to provide much needed financing for infrastructure investment.

In addition to these concerns, we believe other meaningful steps should be undertaken, including increasing and accelerating bank branching applications, facilitating the ability of foreign institutional investors to access India's capital markets, and broadening the ability for consumers and issuers to raise funds through the capital markets. Further development of the bond market, for example, will be essential for meeting US-India CEO Forum goals of establishing financing for infrastructure and clean energy funds. We also support progress on the US-India BIT. We detail these and other issues in the attached papers.

We very much look forward to a cooperative and constructive dialogue on resolving these issues and enhancing the vital political and economic partnership that the U.S. and India enjoy. We believe the Economic and Financial Partnership provides an excellent opportunity to make progress on the industry's goals and objectives and we look forward to working with you and your Administration colleagues towards these objectives.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Bentsen", with a long, horizontal flourish extending to the right.

Kenneth E. Bentsen, Jr.
Executive Vice President,
Public Policy and Advocacy

c: The Honorable Lael Brainard