March 18, 2013

The Honorable Jacob Lew
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Access to China's Financial Markets

Dear Secretary Lew:

In preparation for your upcoming visit to China, I write to express SIFMA's continued concern over the inability of U.S. financial services firms to engage in China on a level playing field. SIFMA strongly supports the Treasury Department's ongoing engagement with China, most notably through the Strategic and Economic Dialogue (S&ED), which emphasizes market-opening reforms and seeks to eliminate barriers and restrictions in China's financial services sector. We respectfully urge that you raise with your Chinese counterparts the ongoing market access issues and the necessity of a creating a level playing field for U.S. financial services firms in China.

China remains one of the few major G20 markets to impose substantial barriers to entry for U.S. financial services firms and is the only G20 member that denies U.S. financial services firms majority ownership and the choice of corporate form. China maintains investment limits across the financial sector. China has agreed to increase equity caps for joint securities ventures at the 2012 S&ED from 33 percent to 49 percent, but it is imperative China move to allow full ownership in this and other areas. These ownership limitations and restrictions currently constrain the ability of U.S. financial services firms and their customers to participate fully in the Chinese market. In stark contrast, 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.

In addition to the onerous ownership limitations and restrictions, the industry faces numerous obstacles, including prohibitions on engaging in certain securities activities and product areas; opaque regulatory and discretionary licensing procedures; strict lending and product quotas; and restrictions on capital accounts that include qualified foreign institutional investor (QFII) and qualified domestic institutional investor (QDII) quotas. Despite commitments made at the most recent S&ED to increase QFII quotas, we urge further dialogue to ensure these barriers continue to be reduced and ultimately eliminated.

The global profile and scale of China's financial institutions and its capital markets has increased significantly. This is underscored both by the global expansion of its largest financial institutions to other major financial centers and its participation in global forums such as the Financial Stability Board and IOSCO's Technical Committee. This increased profile should be met with a corresponding reduction and elimination of discriminatory barriers to U.S. firms.

As Chinese financial institutions expand abroad, U.S. financial institutions continue to face an ongoing uphill struggle in China. We urge you to raise these ongoing issues on your upcoming trip and believe a consistent 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 thank you for considering our views, and look forward to working with you and your staff on these important issues.

Sincerely,

Kenneth E. Bentsen, Jr.
Acting President & CEO

c: Secretary John Kerry
The Honorable Lael Brainard
The Honorable Robert D. Hormats
Mark Sobel
Sharon Yuan
Robert Dohner
David Dollar