



January 24, 2008

The Honorable Harry Reid
Senate Majority Leader
528 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Minority Leader
361-A Senate Russell Office Building
Washington, D.C. 20510

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles Grassley
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Messrs. Reid, McConnell, Baucus, and Grassley:

The Securities Industry and Financial Markets Association (SIFMA)¹, which represents more than 650 members of the financial services community, appreciates your bipartisan efforts to address the weakening economy. We respectfully request that any economic stimulus package considered by Congress include an extension of the active financing rules under Subpart F of the Internal Revenue Code, which are scheduled to expire this year.

Most economists agree that continued instability in the financial markets is fueling the risk of an economic recession. The credit situation threatens to deteriorate unless specific steps are taken to stabilize the U.S. financial services sector. Providing certainty and stability to the financial services industry should, therefore, be a critical component of an economic stimulus package.

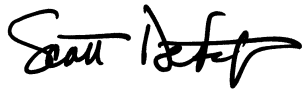
The current active financing rules ensure that U.S.-based financial services firms are not double taxed on the active financing income earned through their international operations. Failure to extend these rules would result in a significant tax increase on the U.S. financial services sector. It would also result in unequal treatment among industries because active financial services income would be double taxed while the active income of other industries would not. The shadow of this looming tax increase is already impacting business decisions with regard to pricing, employment levels and other long-term business

¹ The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

activities. If current law lapses, foreign firms are likely to fill the void and thousands of supporting U.S. jobs may be lost.

An extension of the active financing rules will provide a significant economic boost at a critical time for an industry facing significant challenges. We, therefore, urge you to include an immediate extension of the active financing rules in any economic stimulus package. Thank you for your consideration.

Sincerely,



Scott DeFife
Senior Managing Director
Government Affairs



Richard Hunt
Senior Managing Director
Government Affairs

cc: Members of the Senate Finance Committee