



June 7, 2013

Barack H. Obama
President of the United States
The White House
Washington, D.C.

Dear President Obama,

The **ENGAGE CHINA** coalition thanks you for your continuing efforts to strengthen one of the most important bilateral relationships in the world today – the U.S.-China economic relationship. In anticipation of your meeting today with President Xi Jinping, we write to call your attention to the critical importance of greater foreign participation in China's financial services marketplace. In particular, we respectfully urge you to raise concerns about the unlevel playing field that US financial services firms face in China, and the need for continued modernization of China's capital markets.

ENGAGE CHINA is a coalition of twelve financial services trade associations united in our view that active engagement and cooperation between the United States and China remains the most constructive means of ensuring that the citizens of both nations mutually benefit from the growing bilateral economic relationship.

The pace of China's economic growth and the impact of its integration into the global economy are unprecedented – with enormous implications for U.S. economic growth and job creation. China's economy has grown at an annual rate of nearly 10 percent for more than two decades. The world's 7th largest economy in 1999, China has now surpassed Japan to become the world's 2nd largest economy.

In our view, one of the most fundamental and important reforms necessary for the United States to harness the job-creation power of a rapidly growing China is modernization and liberalization of China's financial system. The world's second largest and fastest growing economy is currently supported by a financial system inhibited by a number of policy and practice issues. More fully developed capital markets would provide healthy competition to Chinese banks and facilitate the development and growth of alternative retail savings products such as mutual funds, pensions, and life insurance products. And by broadening the range of funding alternatives for emerging companies, more developed capital markets would greatly enhance the flexibility and, therefore, the stability of the Chinese economy.

The fastest way for any developing economy to acquire the modern financial sector it needs is to import it – that is, to allow foreign financial institutions to establish in-country operations through the establishment of branches and subsidiaries, partnerships with domestic institutions, and cross-border mergers and acquisitions. Foreign institutions – including U.S.

institutions – can bring to China world-class expertise and best practices with regard to products and services, credit analysis, risk management, internal controls, and corporate governance.

The U.S. financial services industry has been very encouraged by recent statements by China’s senior leadership regarding its commitment to continued reform and modernization of China’s financial system. We look forward to working with your Administration to ensure further progress on issues such as:

- The critical importance of open commercial banking, securities, futures, insurance, pension, and asset management markets to promoting the services- and consumption-led economic growth that China’s leaders seek;
- The clear benefits to China of increased market access for foreign financial services firms – including allowing full ownership of banking, securities, insurance, and other financial companies – and the introduction of world-class expertise, technology, and best practices;
- Furthering China’s commitments to non-discriminatory national treatment with regard to licensing, corporate form, and permitted products and services – for example, China should issue reports in advance of the annual S&ED meetings regarding applications and approvals of domestic and foreign-invested insurance providers for concurrent branch licensing;
- Non-discriminatory national treatment with regard to regulation and supervision;
- Regulatory and procedural transparency; and,
- Further increasing institutional investors’ participation in China’s capital markets by expanding the Qualified Foreign Institutional Investor (QFII) and Qualified Domestic Institutional Investor (QDII) programs.

By providing financial products and services that help China’s citizens and businesses invest, insure against risk, provide for retirement, raise standards of living, and consume at higher levels, foreign financial institutions – including U.S. providers – would help China develop an economy that is less dependent on exports, more consumption-driven and, therefore, more stable and sustainable over the long-term.

Again, thank you for your continued work to strengthen the relationship between the United States and China. The **ENGAGE CHINA** coalition looks forward to working with you to ensure that American citizens, manufacturers, farmers, and services providers benefit from the increasingly important U.S.-China relationship.

Respectfully,

The Engage China Coalition:
 American Bankers Association
 American Council of Life Insurers

American Insurance Association
Council of Insurance Agents and Brokers
BAFT-IFSA
Insured Retirement Institute
Investment Company Institute
Property Casualty Insurers Association of America
The Financial Services Forum
The Financial Services Roundtable
The Futures Industry Association
The Securities Industry and Financial Markets Association

cc:

The Honorable Jacob J. Lew, Secretary of the Treasury, U.S. Department of the Treasury
The Honorable Lael Brainard, Under Secretary for International Affairs, U.S. Department of the Treasury