



November 3, 2017

The Honorable Donald J. Trump
President of the United States
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear President Trump:

The Engage China Coalition¹ appreciates the constructive dialogue that your administration has spearheaded with Chinese leaders on the bilateral economic relationship. We believe that your upcoming trip to China and meeting with President Xi Jinping provides a unique opportunity to strengthen the U.S.-China economic relationship. Chiefly, we hope you will encourage Chinese leaders to lift restrictions on financial institutions operating in China, as well as to urge its policymakers to deliver on liberalization commitments that were made previously yet remain unfulfilled.

It is imperative for China to liberalize its financial sector to rebalance its economy. China must fully transition toward market-based interest rates, deepen capital markets to reduce reliance on bank lending, and increase competition by allowing foreign financial institutions to compete on a fair and commercial basis with domestic Chinese firms. Continued reform and modernization of China's financial sector is essential to achieve the Administration's goal to rebalance the U.S.-China bilateral economic relationship.

Accordingly, we hope you will encourage Chinese leaders to eliminate market access impediments faced by American financial institutions operating in China during your upcoming trip to Beijing. Eliminating the ownership restrictions (equity caps) and granting necessary licenses for majority-control—without subjecting American financial services firms to other onerous requirements that effectively limit the scope of their businesses—would improve their ability to compete with Chinese firms on a level playing field. Chinese leaders have not yet fulfilled their promise to “gradually raise” these equity caps, despite repeated pledges to do so. We also ask that the Chinese government allow foreign firms to partner with non-securities firms outside of the pilot-free trade zones.

We believe it is similarly important that Chinese leaders undertake reforms to deepen China's integration with global financial markets. The removal of investment quotas and repatriation limitations are central

¹ **Engage China** is a coalition of 12 financial services trade associations united in our view that active cooperation with China remains the most constructive means of ensuring that the citizens of both nations mutually benefit from the growing bilateral economic relationship. Coalition members include the: American Bankers Association, American Council of Life Insurers, American Insurance Association, Bankers Association for Finance and Trade, The Council of Insurance Agents & Brokers, Financial Services Forum, Financial Services Roundtable, Futures Industry Association, Investment Company Institute, Property and Casualty Insurers Association of America, and Securities Industry and Financial Markets Association.

to that end. Further, we encourage the Administration to continue pressing Chinese leaders to withdraw the more troubling aspects of the Cybersecurity Law, which currently require invasive security audits in order for financial institutions to transfer data across borders. While under the guise of improving domestic data privacy and security, such invasive data export reviews compromise networks of American firms operating in China, and infringe upon firms' intellectual property rights. These policies are fundamentally inconsistent with China's objective to build an international, globally connected economy.

We welcome opportunities to further support the Administration's engagement with China on trade and investment issues, as we believe these issues are paramount to rebalancing the global economy. Please feel free to contact Peter Matheson (pmatheson@sifma.org or 202-962-7324) should you desire additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen".

Kenneth E. Bentsen, Jr
President & CEO, SIFMA
Chair, Engage China

CC:

- The Honorable Wilbur Ross, Secretary, U.S. Department of Commerce
- The Honorable Steven T. Mnuchin, Secretary, U.S. Treasury
- Alan Turley, U.S. Department of Commerce
- James Sullivan, U.S. Department of Commerce
- Chris Adams, U.S. Treasury
- Lailee Moghtader, U.S. Treasury
- Robert Lighthizer, U.S. Trade Representative
- Daniel Bahar, U.S. Trade Representative
- Audrey Winter, U.S. Trade Representative
- Mathew Haarsager, National Security Council / National Economic Council
- Merry Lin, National Security Council