



September 2008

**FBF'S COMMENTS ON SEC'S PROPOSED RULES ON EXEMPTION OF CERTAIN FOREIGN  
BROKERS OR DEALERS**

1. The French Banking Federation (FBF) is the professional body representing over 500 commercial, cooperative and mutual banks operating in France. It includes both French and foreign-based organizations.

As universal banks, the FBF members are highly interested in the SEC's proposed rules on exemption of certain foreign brokers or dealers.

2. As an introduction, the FBF appreciates the fact that the SEC is proposing a reform of the Rule 15a-6 in order to enlarge access to US investors to European and other foreign broker-dealers.

3. The FBF particularly appreciates the SEC's perspective to reduce the restrictive areas from existing Rule 15a-6. Some of the requirements as on recordkeeping are reduced and revised to track the realities of cross-border transactions, so a non-U.S. broker – when availing of the full-service brokerage exemption - is allowed to maintain books and records in accordance to its local regulatory requirements.

4. The FBF also welcomes the SEC's move to allow European foreign broker-dealers to interact directly with "qualified investors" instead of with the more restrictive category of U.S. institutional investors.

5. As detailed comments, the FBF would like to welcome especially two points:

- Qualified investor test: the proposal will significantly increase the number of permitted customers under Rule 15a-6 by reducing the assets required to qualify as a permitted customer from the current \$100 million to qualified investors with over \$25 million.

- Global custody: under the proposal, a foreign broker-dealer could effect all aspects of a transaction in foreign securities with a qualified investor, but not take custody of the qualified investors' fund and securities, in which case it would not need to comply with the "foreign business test" (i.e. 85% threshold). The FBF understands that this restriction on custody does not concern the European securities.

**6.** As a conclusion, the FBF agrees with the SEC's view, expressed in its 24 March 2008 announcement that reform of Rule 15a-6 is one of the steps needed for the implementation of the mutual recognition concept, to increase investor access to well-regulated capital markets. In this perspective, the FBF views the proposal on Rule 15a-6 as a prelude to mutual recognition. Going forward, the FBF would expect the conditions under which European broker-dealers have access to U.S. investors through a revised Rule 15a-6 to be improved on through a bilateral EU-US mutual recognition agreement. Consequently, the FBF urges the SEC to agree on a process agreement with the European Commission on mutual recognition as soon as possible.