ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
(602) 542-4242
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September 26, 1991

Deborah L. Saltzman, Esq.
Kelley Drye & Warren
101 Park Avenue
New York, New York 10178

RE: State Bank of India
A.R.S. § 44-1843(2)

Dear Ms. Saltzman:

On the basis of the facts set forth in your letter of August 27, 1991, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letter.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

Dee R. Harris

DEE RIDDELL HARRIS
Director of Securities

DRH:MGB:wjw

Attachment

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August 27, 1991

FEDERAL EXPRESS

Corporation Commission
Securities Division
1200 West Washington Street, 2nd Floor
Phoenix, Arizona 85007

Re: State Bank of India -- India Development Bonds

Dear Sir/Madam:

On behalf of our client, State Bank of India (the "Bank"), we respectfully ask your confirmation of, and opinion or no-action position, to the effect that no securities, broker-dealer or agent registration will be required under the Securities Act of Arizona and the rules and regulations promulgated thereunder (the "Securities Law") in connection with the following proposed transaction:

The Bank proposes to issue, at one or more of its branches in India, 5 year promissory notes entitled "India Development Bonds" denominated in U.S. Dollars (the "Notes"). Each Note will be sold at par and will bear interest at a rate of 0.5% above the rate applicable on three year Foreign Currency Non-Resident ("FCNR") U.S. dollar deposits prevailing on the date that the offer is commenced. Interest payments will be made either at maturity (cumulative and compounded on a semi-annual basis) or on a semi-annual basis (non-cumulative) at the election of the Note holder.

The principal amount of the Notes and interest earned thereon are payable in U.S. dollars. However, if the Note holder is or becomes a resident of India prior to maturity of the Notes, the principal amounts of the Notes and interest thereon will be paid only in non-repatriable Rupees at the Bank's Telegraphic Transfer buying rate for U.S. dollars prevailing on the date of maturity of the Notes.

The Bank will not make a secondary market in the Notes and does not expect any other entity to do so.

The Bank is regulated by the Federal Government of India (the "Indian Government") and is, in fact, 98% owned by the Reserve Bank of India (the "Reserve Bank"), the central bank of India. We are advised by the Bank that the nature and extent of Indian Government regulation of the Bank is substantially equivalent to the nature and extent of state and federal regulations applicable to state-chartered domestic banks. The Reserve Bank has confirmed its intent as the parent and regulator of the Bank to cause U.S. dollar funds to be available to the Bank for repayment of its obligations in respect of the Notes. The Bank is a depository institution that accepts demand and time deposits. The Bank had assets of $46.452 billion at March 31, 1991. Under Indian Government regulation, the Bank is generally required to have cash reserves of 25% of net demand and time deposits kept as cash with the Reserve Bank and statutory liquidity reserves of 38.5%, and 30% for FCNR and Non-Resident (External), of net demand and time deposits which may be held as cash, gold or Government securities. The business of the Bank is substantially confined to banking.

The Bank proposes to market the Notes in the U.S. through its New York Branch (the "NY Branch") (through the Park Avenue and Flushing, Queens Branch offices thereof) and its Chicago, Illinois Branch (the "Chicago Branch") exclusively to persons of Indian origin resident in the U.S. ("NRIs"), business entities controlled by NRIs ("OCBs") and banks acting in a fiduciary capacity on behalf of NRIs and/or OCBs ("Fiduciaries"). The NY Branch and the Chicago Branch are regulated by New York State and Illinois, respectively, and by the Federal Deposit Insurance Corporation (the "FDIC"). We are advised by the Bank that the nature and extent of state and federal regulation of the NY Branch and the Chicago Branch are substantially equivalent to that applicable to state-chartered domestic banks. The NY Branch and Chicago Branch engage in business as full-service commercial banks and also accept both demand and time deposits, with deposits insured by the FDIC. The NY Branch (including three Branch offices), together with an offshore operation nominally headquartered in Nassau but managed out of the New York Branch office on Park Avenue, had assets at March 31, 1991 in excess of $4 billion. The NY Branch had reserves of $3.382 million with the Federal Reserve Bank of New York at March 31, 1991. The businesses of the NY Branch and the Chicago Branch are also substantially confined to banking. Other Branches or representative offices of the Bank located in Washington D.C. and Los Angeles may act in conjunction with the NY Branch and the Chicago Branch as collection agents for the Bank.

We draw your attention to the significant amount of U.S. and Indian Government regulation of each of the Bank, the NY Branch and the Chicago Branch and the large dollar amount or equivalent of assets and of required reserves of each of those entities. Further, we note the overwhelming Indian Government ownership of the Bank with the implied power and resources therefrom as well as the confirmation of repayment support for the Notes by the Reserve Bank referred to above. For these reasons, we suggest that securities, broker-dealer and agent registration are unnecessary for the protection of the public since Note holders will already have been afforded all the protection associated with governmental supervision over the organization and operation of the institution issuing the securities and the institution offering and

selling the securities. We also note that the Note holders will be persons of Indian origin, business entities controlled by such persons or banks acting in a fiduciary capacity to such persons who will be most likely to have the information necessary to evaluate the Indian Government which owns and regulates the Bank, the NY Branch and the Chicago Branch.

We refer you to Marine Bank v. Weaver, 455 U.S. 551, (1982), in which the U.S. Supreme Court held that six-year certificates of deposit issued by Marine Bank were not "securities" within the meaning of the Securities Exchange Act of 1934, as amended (the "34 Act"), because such instruments differ fundamentally from the types of debt instruments commonly regarded as securities in the following regard: the certificates of deposit were issued by a federally regulated bank subject to the reserve, reporting and inspection requirements of the federal banking laws, advertising relating to the interest payable on its deposits was also subject to regulation and deposits at Marine Bank were insured by the FDIC with the consequence that purchasers of Marine Bank certificates of deposit were virtually guaranteed payment in full, unlike purchasers of ordinary long-term debt securities. The Marine Bank analysis was subsequently extended to the virtually identical definition of "security" in the Securities Act of 1933, as amended (the "33 Act") and to certificates of deposit issued by foreign banks. See, e.g., Wolf v. Banco Nacional de Mexico, S.A., 739 F.2d 1458 (9th Cir. 1984), cert. denied, 469 U.S. 1108 (1985); Callejo v. Bancomer, S.A., 764 F.2d 1101 (5th Cir. 1985).

In Wolf, the court held that certificates of deposit issued by a Mexican bank were not "securities" under the '33 Act, emphasizing that the issuer was supervised by several Mexican governmental bodies and was subject to capital and reserve requirements under Mexican law, advertising by the issuer was subject to Mexican regulatory review and the issuer was subject to annual Mexican regulatory audits; further, the Court took note that no Mexican bank had failed in the prior 50 years and found that Mexican banking regulation provided investors protection equivalent to that provided to depositors in a federally regulated bank such as Marine Bank. The court noted with respect to the certificates of deposit in question which were denominated and payable in Mexican Pesos that whether or not a certificate of deposit is a security does not turn on the currency in which it is purchased or payable.

It should be noted that although both Marine Bank and Wolf were concerned with certificates of deposit, the Notes referred to herein are for all substantive purposes analogous to certificates of deposit.

Further, and most significantly, in Reves v. Ernst & Young, 494 U.S. 56 (1990), the Supreme Court set forth the analytical framework for determining whether a note is a security under the federal securities laws. The Court enunciated the following standards as the test for determining whether a note is a security: (1) reasonable seller and buyer motivations for the transaction; (2) plan of distribution; (3) reasonable expectations of the investing public; and (4) some factor such as the existence of another regulatory scheme which significantly reduces

the risk of the instrument and thereby renders the application of the federal securities laws unnecessary.

It is submitted that because (1) the issuance will be limited to NRIs, OCBs and Fiduciaries and no market will be made in Notes, (2) the Notes are characterized as promissory notes and not as securities or investments, and (3) the regulatory scheme and backing by the Reserve Bank provide the Notes with "risk reducing" factors comparable to those noted in Marine Bank and Wolf, the Notes would be deemed to not constitute securities under the Reves test.

Your prompt attention would be appreciated with regard to our request for a confirmation of opinion or no-action position to the effect that no securities, broker-dealer or agent registration is required in connection with the offer and sale of the India Development Bonds by the NY Branch and the Chicago Branch under the Securities Law. If you have any questions or require additional information, feel free to call me at (800) 342-5101.

Enclosed is check in the amount of $250.00 to facilitate this request.

Very truly yours,

Deborah L. Saltzman

DLS/sjm:
sbiexmp2.ltr
Enclosure