# **outcomes: financial services**

Financial services, including banking, insurance and funds management, is one of the most dynamic sectors of the Australian economy. Total Australian cross-border exports of financial services rose to $3.7 billion in 2015-16, with exports to TPP countries accounting for 37 per cent of the total (or approximately $1.4 billion).

The TPP presents an important opportunity to increase Australia’s cross-border exports, as well as to help reduce the regulatory restrictions on Australian firms established in, or looking to enter, TPP countries.

# **key outcomes**

# Cross-border financial services

The TPP delivers new opportunities for Australian financial service providers to participate in TPP markets by guaranteeing the ability to provide a range of financial services on a cross-border basis, including:

* investment advice and portfolio management services to collective investment schemes; and
* insurance of risks relating to maritime shipping and international commercial aviation and freight, and brokerage thereof.

Credit, debit and other payment card transactions have become an integral part of doing business in Australia and around the world. In the TPP, countries have committed to allowing the supply of electronic payment services for payment card transactions into their countries on a cross-border basis.

# Reducing ‘behind the border’ restrictions

The TPP will help ease some of the regulatory burdens Australian firms face when exporting financial services to, or operating in, TPP countries. For example, TPP includes provisions that:

* promote transparency and consultation with industry when a regulatory change is being introduced; and
* encourage the streamlining of approvals for the issuance of new insurance products.

In addition, TPP countries have committed to permitting financial institutions to transfer information into and out of their countries for data processing – subject to certain conditions including the protection of privacy and confidentiality.

# Regulatory integration

Duplicative licensing regimes can inhibit or prevent Australian financial services being offered in other countries. The TPP includes provisions that help facilitate the recognition of Australian financial service licence holders in TPP countries so as to avoid duplicative licensing requirements.

# Facilitating professionals working abroad

The TPP creates more opportunities for Australian professionals in the financial sector to work in TPP countries, which is of particular value in light of the increasing presence of Australian firms overseas. Australian financial institutions will be guaranteed the ability to transfer managerial and specialist staff to offshore branches and offices for extended periods. In addition, independent Australian professionals in the sector will enjoy certainty over visa arrangements and periods of stay into Malaysia, Vietnam, Canada, Peru and Mexico.

Some countries place restrictions on the number of foreign persons that can occupy senior managerial positions or sit on the board of directors of a financial institution. The TPP puts a cap on these restrictions, enabling Australian professionals to occupy such positions in financial institutions in TPP countries.

# Market access outcomes in South East Asia

In South East Asia, where Australian financial institutions are already active participants, key TPP financial services market access outcomes include:

* Malaysia has agreed to replacing its foreign equity caps with a screening regime. In addition, Australian insurance providers will be able to offer product liability and directors’ and officers’ liability insurance to Malaysians on a cross-border basis;
* Vietnam has increased its foreign equity cap for ‘strategic’ investors in joint stock commercial banks from 15 to 20 per cent; and
* Singapore has committed to allowing Australian companies to provide brokerage services, on a cross-border basis, for insurance of maritime, aviation and transport-related risks.

# Retaining the ability to regulate in Australia’s interests

Each country needs to be able to regulate its financial services sector, not only in times of crisis, but also in the day-to-day functioning of its financial system. The TPP contains provisions that safeguard Australia’s right to introduce and maintain measures for prudential reasons***,*** including to protect depositors and policy holders, and to ensure the stability of our financial system. The TPP will not affect Australia’s four-pillar banking policy.