



Australian Government
Department of Foreign Affairs and Trade



Australia-China
Free Trade Agreement



Australia-China Free Trade Agreement Negotiations

FINANCIAL SERVICES OPPORTUNITIES



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Australia's Financial Services Experience Can Benefit China (1)

- Australia has a diversified, highly competitive and stable financial services sector.
- World Economic Forum 2004 Global Competitiveness report ranked the soundness of our banking sector 1st in the World.
- Strong regulatory and prudential supervision
- A leader in financial services reform since the 1980s
- Australian financial services providers do not threaten China



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Australia's Financial Services Experience Can Benefit China (2)

- Australia's insurance regulatory framework is regarded as a sound model for sustainable industry development internationally
- Australian banks are highly profitable, carry few bad debts and carry capital considerably higher than Basel minima
- Australian skills, experience and management in the provision of financial services are world class
- Chinese financial institutions can benefit from this through enhanced participation of Australian financial services companies in the PRC market



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Australia's Financial Services Experience Can Benefit China (3)

- Preferential liberalisation for Australian financial institutions through the FTA is an opportunity for China to pursue experimental reform with a country it can trust
- It would also allow China to strengthen its domestic financial services sector through bilateral cooperation and skills transfer and to adjust its regulatory and supervisory systems before liberalising to other international competitors



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Key Trade Barriers (1)

Banking

- 20% equity limitation on foreign holdings in Chinese banks
- 25% limit on overall foreign ownership
- “Two bank rule”
- Limitations on inter-bank RMB financing
- Wholesale funding limitations
- Restrictions on cross-functional investment and service delivery
- Additional capital requirements applicable to new branches
- Inability to open multiple branches simultaneously
- Discriminatory prudential policies



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Key Trade Barriers (2)

Insurance

- Restrictive pre-establishment conditions:
 - - i.e. a 30 year industry experience requirement;
 - US\$ 5 billion asset test
- Exclusion from statutory insurance business areas – such as third party motor vehicle insurance
- Foreign life insurers restricted to 50% equity in JVs
- High minimum capital requirements
- Non-transparent licensing procedures
- Restrictions on cross-functional investment and service delivery



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Key Trade Barriers (3)

Securities & Funds Management

- China has limited GATS commitments
- QFII scheme imposes overly burdensome pre-establishment conditions including the requirement to have US\$10 billion securities assets under management
- Foreign equity ownership is limited to 33% for stock traders and 49% for funds managers
- Restrictions on cross-functional investment and service delivery
- Non-transparent procedures for allocation of lead underwriting business in off-shore IPOs



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How the FTA can Help

- Aim to address specific regulatory barriers – remove or ameliorate onerous requirements.
- Aim to secure preferences for Australian firms.
- Help develop more appropriate regulation that might achieve the same regulatory objective in a less discriminatory way.
- Develop bilateral mechanisms to address Australian concerns in the administration of laws, regulations and policies; enhance transparency and communication.



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For more information, contact the Australia-China FTA Task Force:

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For information on the practical aspects of exporting to China, contact Austrade
on **13 28 78**, or visit **www.austrade.gov.au**

For information on Australia's existing free trade agreements, visit
www.fta.gov.au