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Trade in Financial Services: exploring priorities

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GATS modes of supply - financial services

Mode	Example
Mode 1: Cross-border supply	An Australian bank accepts deposits via the internet from a client in Ireland.
Mode 2: Consumption abroad	A German company buys accident insurance from an Australian firm for its work in Australia.
Mode 3: Commercial presence	An Australian bank establishes a branch in the Netherlands to lend funds in the Netherlands
Mode 4: Movement of natural persons	An Australian bank sends its portfolio manager to France to offer advice to clients in France.

- Modes 1 & 3 account for more than 75% of world services trade and commerce , while mode 2 is largely unrestricted (Marchetti & Roy, 2013).



Passporting

- Third-country entrant to the EU financial services market establishes an affiliated enterprise in an EEA Member State.
- Operates from there using Single Market passport rights.
- Most foreign entrants use this licence to access the EU financial services market.

AU – EU financial services trade

- Focus on 6 EU economies: UK, France, Germany, Ireland, Netherlands, and Luxembourg.
 - Why? Highest levels of bilateral trade in financial services in 2017 with Australia.
- Australia exported 21.2% of total financial services (excluding insurance) to the EU in 2017
 - Mainly to the UK (17.3%)
- Australia imported 67.7% of its total insurance and pension services from the EU in 2017.
 - Mainly from the UK (63.4%)



Commercial banking

- Market access restrictions
- How much competition?



Insurance

- Market access restrictions
- How much competition?
- Different sectors:
 - Life insurance
 - Non-life/ General insurance: freight, accident and health, motor vehicle, travel, etc.
 - Reinsurance



Financial services commitments: recent EU or AU trade agreements

- EU focuses on mode 3 opening up of foreign markets for EU firms wishing to do business through establishment in those markets.
 - Significant mode 3 commitments:
 - EUSFTA: caps on number of place of business of qualifying full banks (QFBs) increased from 25 to 50.
 - CETA: EU successfully bound and limited CA's rule concerning 'widely held' financial institutions
 - Cannot reduce max shareholding cap of CA\$12 billion
 - EU banks retain control even after exceeding threshold.
- Less attention on reducing barriers to modes 1, 2 (cross-border supply) & 4 (temp presence)

Financial services trade

- Priorities for further analysis
- Priorities for trade negotiations
- Data needs (FATS and ...)

Commercial banking

Financial service exports from:	Percentage share of financial service exports to:									
	AU	FR	DE	IE	LU	NL	UK	EU_rest	ROW	Total
Australia (AU)	-----	0.96	4.35	1.75	3.56	0.32	7.38	7.48	74.20	100.00
France (FR)	0.43	-----	7.31	2.71	18.69	2.68	11.07	19.49	37.62	100.00
Germany (DE)	0.19	2.41	-----	4.41	37.01	3.51	11.37	9.74	31.36	100.00
Ireland (IE)	0.09	1.10	2.81	-----	25.00	1.92	18.78	15.97	34.32	100.00
Luxembourg (LU)	0.07	3.15	16.53	3.99	-----	2.36	8.63	33.09	32.18	100.00
Netherlands (NL)	0.25	2.15	9.08	3.62	2.09	-----	6.32	11.10	65.40	100.00
United Kingdom (UK)	0.77	1.19	8.78	5.21	16.11	0.65	-----	10.67	56.61	100.00
EU_rest	0.36	3.17	6.49	3.67	17.79	1.41	11.42	19.61	36.09	100.00
Rest of the world (ROW)	0.82	1.85	4.19	4.75	14.53	1.28	14.58	10.32	47.67	100.00
Total	0.61	1.98	6.68	4.44	14.57	1.40	10.45	14.28	45.59	100.00

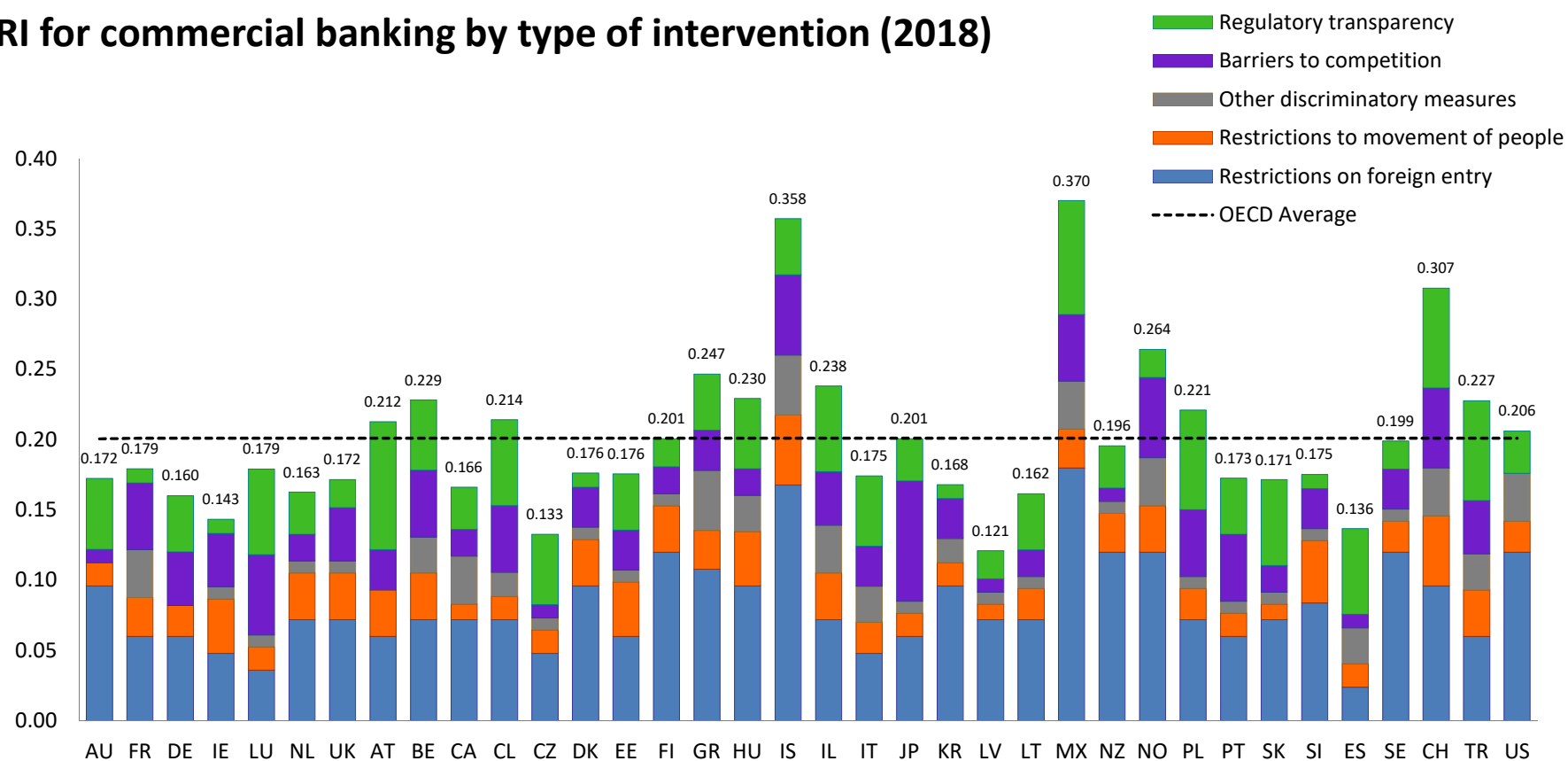


Insurance

Insurance service exports from:	Percentage share of insurance service exports to:									
	AU	FR	DE	IE	LU	NL	UK	EU_rest	ROW	Total
Australia (AU)	-----	0.62	1.79	2.27	0.34	0.34	2.54	4.13	87.96	100.00
France (FR)	0.92	-----	12.34	3.80	6.79	2.91	7.83	21.35	44.07	100.00
Germany (DE)	0.27	4.92	-----	1.58	1.18	1.88	2.97	20.71	66.49	100.00
Ireland (IE)	0.12	3.77	4.21	-----	0.17	1.62	3.28	18.15	68.68	100.00
Luxembourg (LU)	1.00	2.32	5.89	1.36	-----	0.17	3.18	19.78	66.29	100.00
Netherlands (NL)	0.28	2.84	14.39	26.94	0.17	-----	5.02	19.52	30.84	100.00
United Kingdom (UK)	0.93	0.73	1.93	10.12	0.80	0.50	-----	8.19	76.80	100.00
EU_rest	0.50	3.59	7.32	8.41	1.65	2.35	2.91	16.67	56.59	100.00
Rest of the world (ROW)	1.14	1.47	2.65	6.75	1.00	0.59	2.54	7.40	76.47	100.00
Total	0.81	2.21	3.74	6.08	1.08	1.08	2.63	11.94	70.42	100.00

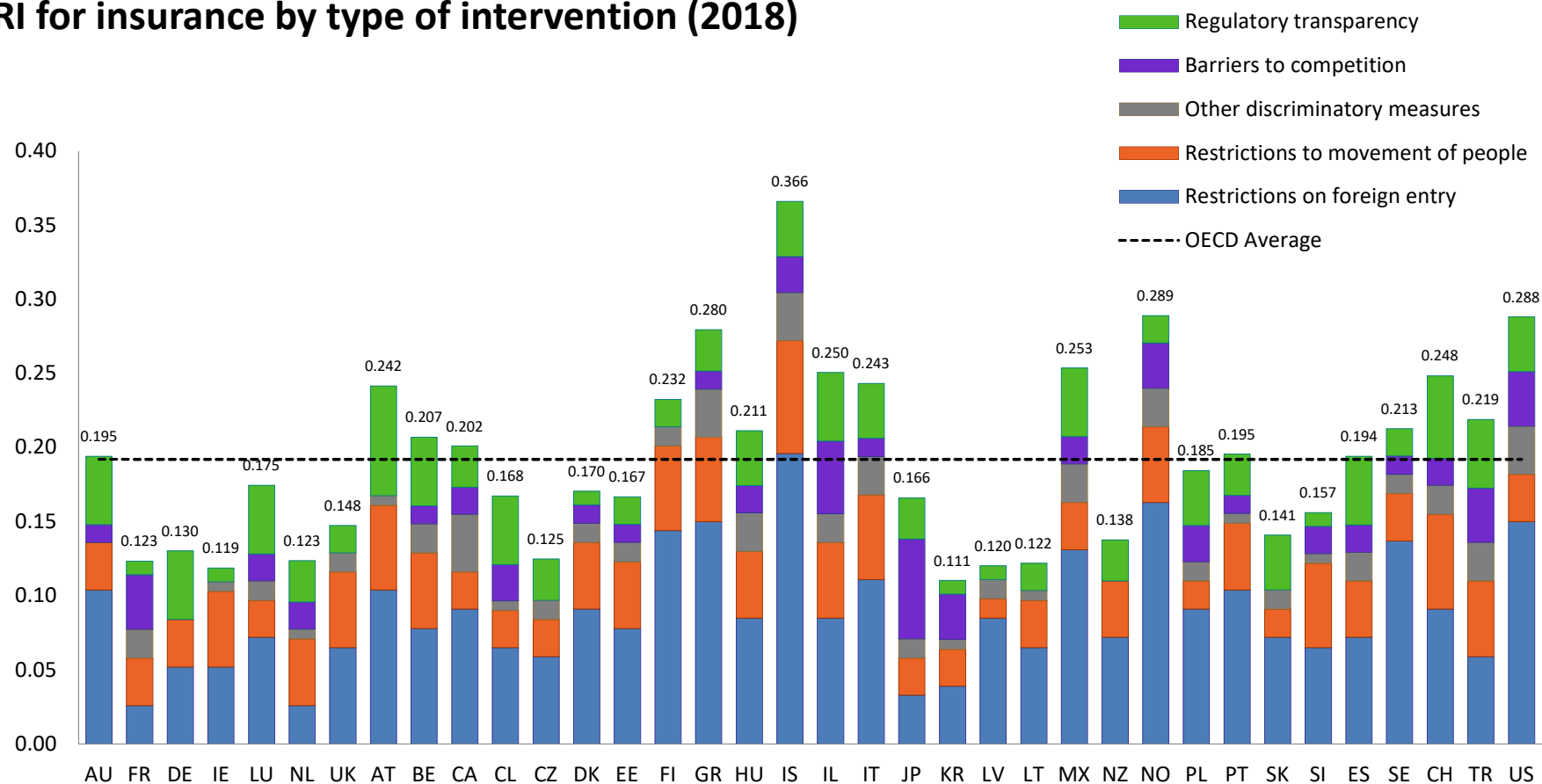
Commercial banking

STRI for commercial banking by type of intervention (2018)



Insurance

STRI for insurance by type of intervention (2018)



Commercial banking restrictions

	Value given in answer to indicator question							
Indicator	AU	FR	DE	IE	LU	NL	UK	# score =1
Commercial presence required: deposit-taking	yes	yes	no	yes	yes	yes	yes	6
Commercial presence required: Lending	yes	yes	no	yes	no	yes	yes	5
Cross-border data flows: transfer personal data is possible (if substantially similar privacy laws)	yes	yes	yes	yes	yes	yes	yes	7
Labour market tests: intra-corporate transfers	yes	yes	no	yes	yes	yes	yes	6
Labour market tests: contractual services	yes	yes	yes	yes	yes	yes	yes	7
Labour market tests: independent services	yes	yes	yes	yes	yes	yes	yes	7
Limitation on duration of stay for contractual services suppliers (months)	48	12	3	24	36	12	61	4
Public procurement: explicitly prohibits discrimination of foreign suppliers	yes	no	yes	no	no	no	no	5
Gov't control >1 major firm in the sector	no	no	yes	yes	yes	yes	yes	5
Range of visa processing time (days)	15	5	10	10	15	15	15	4
Number of documents for business visa	13	16	15	12	13	12	2	6

Insurance restrictions

	Value given in answer to indicator question							
Indicator	AU	FR	DE	IE	LU	NL	UK	# score =1
Commercial presence required for cross-border (life)	yes	yes	yes	yes	yes	no	yes	6
Commercial presence required for cross-border (non-life)	yes	yes	yes	yes	yes	no	yes	6
Local availability test for cross-border trade (non-life)	yes	yes	no	no	no	yes	no	4
Local presence required for cross-border supply	no	yes	no	no	no	no	no	6
Cross-border data flows: transfer personal data to countries with substantially similar privacy protection laws	yes	yes	yes	yes	yes	yes	yes	7
Labour market tests: intra-corporate transferees	yes	yes	no	yes	yes	yes	yes	6
Labour market tests: contractual services suppliers	yes	yes	yes	yes	yes	yes	yes	7
Labour market tests: independent services suppliers	yes	yes	yes	yes	yes	yes	yes	7
Duration of stay for contractual services suppliers (months)	48	12	3	24	36	12	61	4
Laws or regulations establish a process for recognising qualifications gained abroad (broking and agency services)	yes	yes	no	no	no	no	no	4
Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	yes	no	yes	no	no	no	no	5
Range of visa processing time (days)	15	5	10	10	15	15	15	4
Number of documents needed to obtain a business visa	13	16	15	12	13	12	2	6