FSC FINANCIAL SERVICES COUNCIL

Perpetual

2016 AUSTRALIAN INVESTMENT MANAGERS CROSS-BORDER FLOWS REPORT

Financial Services Council and Perpetual

CONTENTS

INTRODUCTION

Welcome to the 2016 Australian Investment Managers Cross-Border Flows Report.

The Financial Services Council (FSC) has again partnered with Perpetual to produce our fifth Cross-Border Flows publication.

This report was originally undertaken to examine the impact of the Management Investment Trust (MIT) taxation regime which was introduced in 2010.

This year's report samples $46.0 billion[1] of a total A$91.5 billion of foreign investments made through Australian investment managers to gain insight into Australia's export of funds management services.

Asia has again been a strong contributor to cross-border flows, with 62% of funds being sourced from the region. Demand for financial products and services is expected to continue as the region's middle class swells.

As a proportion of the $2.66 trillion of funds managed by Australian based managers, the amount sourced from overseas represents only 3.4%.

Australia is transitioning to a service-based economy, with financial services representing 9.5% of economic activity[2]. Further changes to make Australia more attractive as a financial centre are required to support the potential for growth.

The last 12 months have seen a number of key policy initiatives legislated that focus on improving the attractiveness of Australian unit trusts and the taxation treatment of investors utilising the skills of Australian investment managers.

These changes were recommendations from the 2009 *Johnson Report* but the work is not yet finished. A broader suite of collective investment vehicle types has been slated for 2017 and a more competitive withholding tax regime is also being considered.

The recently completed trade agreements with Japan, Korea, China and Singapore, along with the Asia Region Funds Passport and trade agreements under negotiation with India and Indonesia, all provide bridges between economies that could enable growth in financial services exports.

It is imperative that the government embeds the architecture behind these agreements and completes the remaining *Johnson Report* recommendations so that Australia can capitalise on future opportunities within the region.

$2.66 trillion funds managed by Australian based managers

3.4% sourced from foreign investors

62% cross-border flows from Asia

1 All dollar figures quoted are in Australian dollars
2 As at June quarter 2016, National Accounts

EXECUTIVE SUMMARY

The Australian Investment Managers Cross-Border Flows Report ("the report") was first commissioned in 2012 to measure the extent to which overseas sourced funds flowing into Australia had increased following tax policy changes introduced in 2010 as a response to the *Johnson Report*.[3] The report provides the only available insight into which regions, asset classes and investor types have experienced the greatest growth (or loss) since these changes were implemented.

The report provides a meaningful basis from which to analyse trends and better understand investment flows. It provides a unique insight into the nature of cross-border fund flows, with fund managers surveyed in the report collectively managing $46.0 billion out of a possible total $91.5 billion[4] of overseas sourced funds.

Over the five year period from 1 January 2010 to 31 December 2015, investment by foreign investors into Australia through Australian domiciled investment managers have more than doubled from $20.3 billion to $46.0 billion, growing at a compound rate of 17.8% per annum.

The results show that the Asia Pacific region is the most common origin for fund inflows with 62% ($28.4 billion) sourced from the region. From within the region, Japan was again the largest contributor at 25% ($11.4 billion) of the total investments sampled, followed by New Zealand 11% ($5.2 billion), China 5% ($2.5 billion) and South Korea 5% ($2.2 billion). As a proportion of the Asia Pacific contribution, Japan represents 40%, New Zealand 18%, China 9% and South Korea 8%.

This pre-existing activity between Australia and Japan, New Zealand and South Korea will provide a strong base for the Asia Region Funds Passport ("Passport") initiative. Each of these jurisdictions, along with Thailand, has signed onto the Passport's Memorandum of Cooperation and committed to implement the agreement by 31 December 2017. The strong fund flows also show the potential for future benefits under the free trade agreements with Japan, Korea and China, once the financial services elements are fully implemented.

Other Fund Managers were again the predominant investor type using Australian based managers. Contributing 48% ($22.0 billion) of sampled investments, this category outweighs Pension Funds at 16% ($7.4 billion) and Sovereign and Endowment funds, together 9% ($4.1 billion). This result demonstrates Australia's strong capability in servicing wholesale investors.

Almost 40% ($18.8 billion) of funds are being invested into overseas based assets. This finding reflects a growing understanding of the global capability of Australian managers. This capability will continue to be recognised as initiatives from the *Johnson Report*, such as the Investment Manager Regime (legislated on 25 June 2015) and new collective investment vehicles (scheduled for 1 July 2017), continue to level the playing field for Australian managers and place them on the same footing as their competitors.

The remaining challenge to increasing fund flows from foreign investors remains Australia's complex and high rate of withholding tax on Australian assets.

With the right policy settings in place, Australia can take advantage of the potential for domestic fund managers to form a significant and growing proportion of future export activity.

3 The *Johnson Report* was published in November 2009 by the Australian Financial Centre Taskforce, "Australia as a Financial Centre - Building on our Strengths" <http://cache.treasury.gov.au/treasury/afcf/content/final_report/downloads/AFCF_Building_on_Our_Strengths_Report.pdf>

4 Total of $91.54 billion reported by the Australian Bureau of Statistics: Source – ABS: 5655.0 – Managed Funds Australia, January 2010 to December 2015 – Assets: Funds managed by Australian Investment Managers on behalf of overseas investors; Consolidated Assets Total Managed Funds Institutions – Overseas Assets

METHODOLOGY

The report is undertaken annually to better understand the implications of policy changes flowing from the *Johnson Report* and other policy changes impacting on the export of managed funds products to offshore investors.

The 2016 report builds on the data collected previously and also provides a historical view over a six year period from 1 January 2010 to 31 December 2015.

The subject of this report is limited to funds managed through Australian managers, including through retail and wholesale structures meeting the tax law definition of a Managed Investment Trust (MIT), which was legislated on 24 June 2010, but also individual portfolios such as mandates. A MIT is a managed investment scheme that is listed, widely held or held by certain collective investment entities.

The report provides a unique insight into the fund flows into Australian MITs. The information revealed by this report is not part of the standard data series collected by the Australian Bureau of Statistics (ABS) or research houses. While the ABS data series does report funds sourced overseas by Australian investment managers ($91.54 billion at 31 December 2015) the data is not broken down any further.

Participants

We thank the following leading fund managers for their time and efforts in responding with data for the 2016 report. These managers include:

- Aberdeen
- AMP Capital
- Colonial First State Global Asset Management
- Colonial First State
- Equity Trustees
- Franklin Templeton
- Henderson
- Invesco
- Macquarie
- Nikko AM
- Perpetual
- Russell
- Schroder Investment Management
- UBS
- Wellington
- Zurich

We would also like to thank independent actuarial and research firm, Plan for Life, which collected and analysed the 2016 data for us.

KEY FINDINGS

FUNDS MANAGED BY AUSTRALIAN MANAGERS CONTINUE TO GROW

From $20.3 billion at 1 January 2010 to $46.0 billion at 31 December 2015
17.8% pa compounded

LARGEST FROM OUTSIDE ASIA PACIFIC:
8% EUROPE INC UK ($3.9 BILLION)
6% USA ($2.8 BILLION)
6% MIDDLE EAST ($2.6 BILLION)
18% REST OF THE WORLD ($8.4 BILLION)

LARGEST FROM ASIA PACIFIC:
40% JAPAN ($11.4 BILLION)
11% NEW ZEALAND ($5.2 BILLION)
5% CHINA ($2.5 BILLION)
5% SOUTH KOREA ($2.2 BILLION)

DOMINANT REGION:
ASIA PACIFIC – 62%
($28.4 BILLION)

DOMINANT COUNTRY:
JAPAN – 25%
($11.4 BILLION)

MAIN ASSET CLASSES

31%
AUSTRALIAN PROPERTY

22%
AUSTRALIAN FIXED INTEREST/ CASH EQUAL

18%
OVERSEAS SHARES

10% each
OVERSEAS PROPERTY AND AUSTRALIAN SHARES EQUAL

OVERSEAS ASSET CLASSES

38%
OF ALL INVESTMENT INFLOWS SAMPLED
($18.8 BILLION)

KEY INVESTMENT SOURCES

48%
OTHER FUND MANAGERS

16%
PENSION FUNDS

9%
SOVEREIGN WEALTH & ENDOWMENT FUNDS

9%
OWN OVERSEAS GROUP

RESULTS

MONIES FLOWING INTO AUSTRALIAN MANAGED INVESTMENT TRUSTS

Money flowing into Australian vehicles from overseas sources has increased significantly over the six year study period, growing at a compound rate of 17.8% per annum.

This year's study resulted in a total sample of $46.02 billion.

In Table 1, the total fund inflows more than doubled over the study period from $20.3 billion at 1 January 2010 to an estimated $46.0 billion at 31 December 2015.

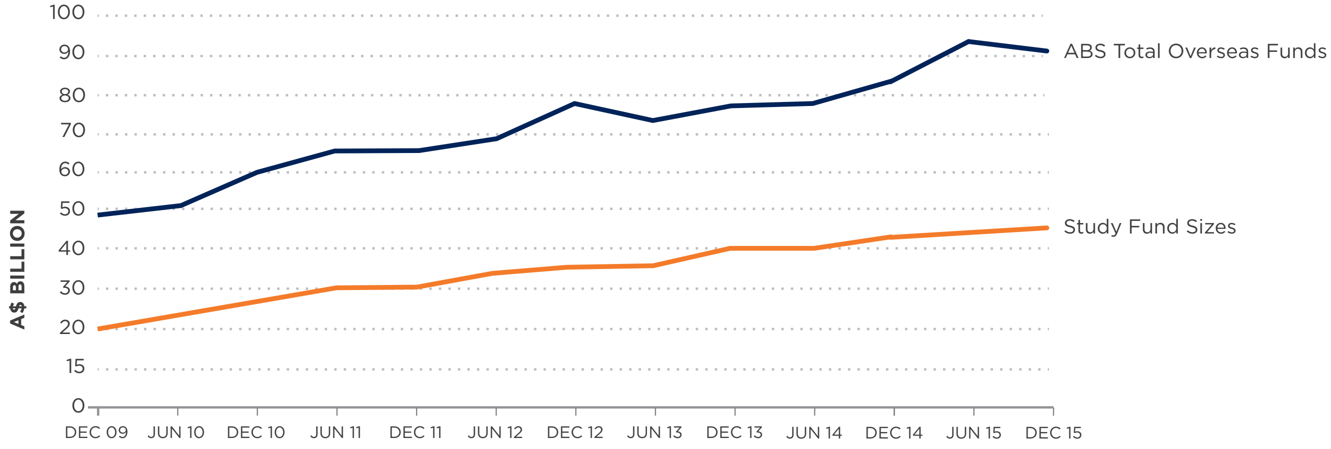
TABLE 1 – MONIES FLOWING INTO AUSTRALIAN MANAGERS' FUNDS FROM OVERSEAS

	STUDY: OVERSEAS-SOURCED FUNDS $BILLION	STUDY: INCREASE IN EACH 6 MONTH PERIOD $BILLION	ABS: OVERSEAS-SOURCED FUNDS $BILLION	% THAT STUDY REPRESENTS OF ABS FUNDS	BALANCE OF OVERSEAS-SOURCED FUNDS $BILLION
1 January 2010	20.30		48.92	41.5%	28.62
30 June 2010	23.47	3.17	51.15	45.9%	27.68
31 December 2010	26.86	3.39	60.18	44.6%	33.32
30 June 2011	30.76	3.90	65.76	46.8%	35.00
31 December 2011	30.86	0.10	65.03	47.5%	34.17
30 June 2012	34.39	3.53	68.29	50.4%	33.90
31 December 2012	36.19	3.80	77.34	46.8%	41.15
30 June 2013	36.40	0.21	72.89	49.9%	36.49
31 December 2013	40.40	4.00	76.71	50.0%	36.31
30 June 2014 *	40.50	0.10	76.82	52.7%	36.32
31 December 2014*	43.60	2.90	82.69	52.7%	39.09
30 June 2015 *	44.66	1.06	94.07	47.5%	49.41
31 December 2015	46.02	1.36	91.54	50.2%	45.52
Annual Compound Rate of Increase 1/1/10 – 31/12/15	**17.8%**		**13.4%**		**9.7%**

* Indicates some estimates for 30 June 2014, 31 December 2014 and 30 June 2015.

Note: The increases in funds are not necessarily new inflows, as there will be a combination of investment earnings, inflow and outflow in their composition.

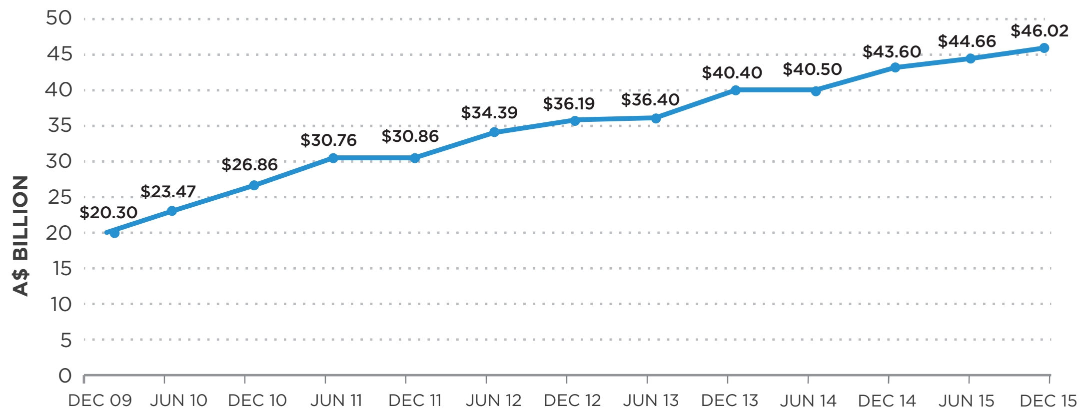
CHART 1 – GROWTH IN STUDY FUND SIZE AND GROWTH IN TOTAL OVERSEAS-SOURCED FUNDS ($ BILLION)



INFLOWS HAVE INCREASED YEAR-ON-YEAR FOR THE PAST FIVE YEARS INTO AUSTRALIA. WILL THEY KEEP GROWING?

"I think it will continue to grow as long as the relative yields in Australia are higher than the relative yields elsewhere in the world. Pretty much every sovereign wealth fund and pension plan on the planet is looking for more diversity so I think by definition you're just going to see that continue. Lots of entities in Asia are looking at putting money out of their domestic markets and Australia should be a beneficiary of some of those flows." Global investment house

CHART 2 – GROWTH IN STUDY FUND SIZE: SIX MONTHLY INCREMENTS ($ BILLION)



INVESTMENT ORIGIN

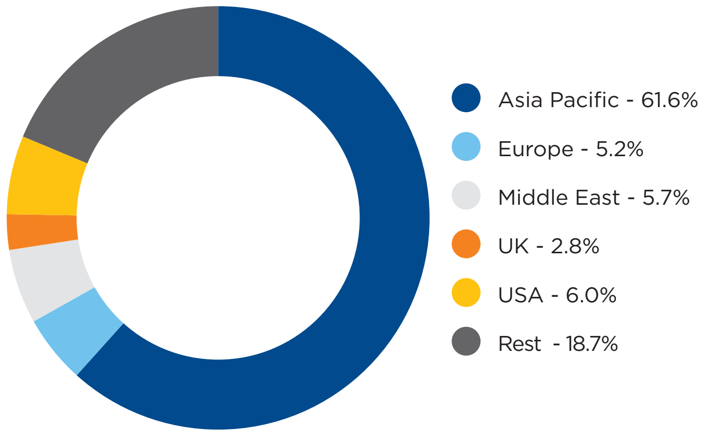
Table 2 below shows the Asia Pacific region made up 61.6% of the funds inflow at 31 December 2015 with $28.36 billion, based on sample data of $46.02 billion.

The USA was the next biggest regional contributor at 6.0%, followed by the Middle East at 5.7%. Together Europe (5.2%) and the United Kingdom (2.8%) account for 8.0% ($3.67 billion).

TABLE 2 – ORIGIN OF FUNDS AT 1 JANUARY 2010 AND 31 DECEMBER 2015

REGION	FUNDS AT 1 JAN 2010 $ BILLION	1 JAN 2010 %	FUNDS AT 31 DEC 2015 $ BILLION	31 DEC 2015 %	INCREASE OVER PERIOD $ BILLION	INCREASE P.A. OVER PERIOD
Asia Pacific	14.75	67.6%	28.36	61.6%	13.61	>100%
Europe	2.79	12.8%	2.39	5.2%	-0.41	<0%
Other Regions	0.07	0.3%	8.59	18.7%	8.52	>100%
USA	0.67	3.0%	2.78	6.0%	2.12	>100%
United Kingdom	2.32	10.6%	1.28	2.8%	-1.04	<0%
Middle East	1.21	5.6%	2.62	5.7%	1.41	>100%
Total	**21.80**	**100%**	**46.02**	**100%**	**24.22**	

CHART 3 – SOURCES OF FUND INVESTMENT IN AUSTRALIA FROM OVERSEAS (DECEMBER 2015)



FURTHER COUNTRY BREAKDOWN

An additional breakdown of regional sources by country has again been undertaken this year.

Japan is the largest contributor of funds, representing 25% of total funds ($11.43 billion) and 40% of funds sourced from the Asia Pacific region. Also from the Asia Pacific, New Zealand was next largest at 11% of total funds ($5.16 billion, or 18% of Asia Pacific funds). China was next at 5% ($2.50 billion, or 9% of the region's contribution), followed by South Korea at 5% of total funds ($2.19 billion, or 8% of the region's contribution).

ASIA PACIFIC	31 DEC 2013 $ MILLION	31 DEC 2014 $ MILLION	31 DEC 2015 $ MILLION
Japan	9,866	11,845	11,433
New Zealand	4,283	4,948	5,160
South Korea	1,032	2,064	2,189
Singapore	274	243	753
China	210	1,163	2,500
Malaysia	126	15	10
Hong Kong	22	183	369
Other	1,645	1,056	5,945
Total	**17,458**	**21,443**	**28,359**

WHY DO YOU FEEL THAT FLOWS FROM JAPAN ARE SO STRONG?

"Japan has a very low-interest environment and that's perhaps one of the biggest reasons Australia is attractive. What we know structurally and globally is that income is important especially in places like Japan with an aging population so that structural demand for income and stability is not likely to go away."

Australian investment manager

ASSET CLASSES

In Table 3 below the most popular asset class was Australian Property with 31.1% ($15.59 billion) of funds sampled, followed by 21.5% ($10.75 billion) in Australian Fixed Interest & Cash. Overseas Shares at 17.6% ($8.80 billion) were almost double that placed in Australian Shares which accounted for 9.9% ($4.95 billion). Investment into Overseas Property was reported at 9.8% ($4.90 billion) and Overseas Fixed Interest & Cash at 10.2% ($5.09 billion).

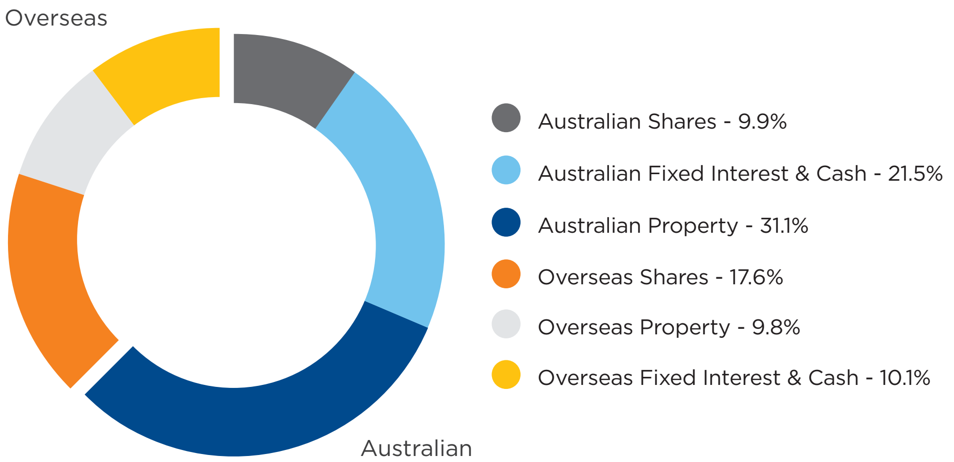
Similar to previous years, the proportion of incoming fund flows being invested into investments located outside Australia is significant, at 37.5% ($18.78 billion).

Notably, the sample size for analysis of asset classes was $50.07 billion due to the study's historical data being used to estimate asset class results for an additional $3.35 billion worth of funds.

TABLE 3 – CHANGE IN ASSET CLASS BETWEEN 1 JANUARY 2010 AND 31 DECEMBER 2015

INVESTMENT TYPE	FUNDS AT 1 JAN 2010 $ BILLION	1 JAN 2010 %	FUNDS AT 31 DEC 2015 $ BILLION	31 DEC 2015 %
Australian Shares	2.11	19.5%	4.95	9.9%
Australian Fixed Interest & Cash	1.46	13.5%	10.75	21.5%
Australian Property	1.87	17.2%	15.59	31.1%
Overseas Shares	2.87	26.5%	8.80	17.6%
Overseas Property	2.53	23.4%	4.90	9.8%
Overseas Fixed Interest & Cash	-	-	5.09	10.1%
Total funds in sample	**10.84**	**100%**	**50.07**	**100.0%**

CHART 4 – CROSS-BORDER INVESTMENT IN AUSTRALIA – BY ASSET CLASS AT 31 DECEMBER 2015



DO YOU THINK FLOWS INTO AUSTRALIAN PROPERTY WILL CONTINUE?

"We do have a competitive edge in REITs, listed infrastructure, unlisted infrastructure, and resources. To the extent there is a need for these kinds of assets, I think Australia is sitting in quite a good place.

We are at the leading edge in the industry because of managing unlisted assets so we are seeing interest from other parts of Asia and also other parts of the world."

Australian investment manager

"Japan does have a sophisticated REIT market which probably does not generate the same investment returns as Australia does. So it is a simple proposition that people understand well."

Australian investment manager

TYPES OF INVESTORS

In Table 4 below Other Fund Managers (managers other than those of the particular entity offering the funds) are the largest source of inflows at 47.8% ($21.98 billion) of the $46.02 billion sample.

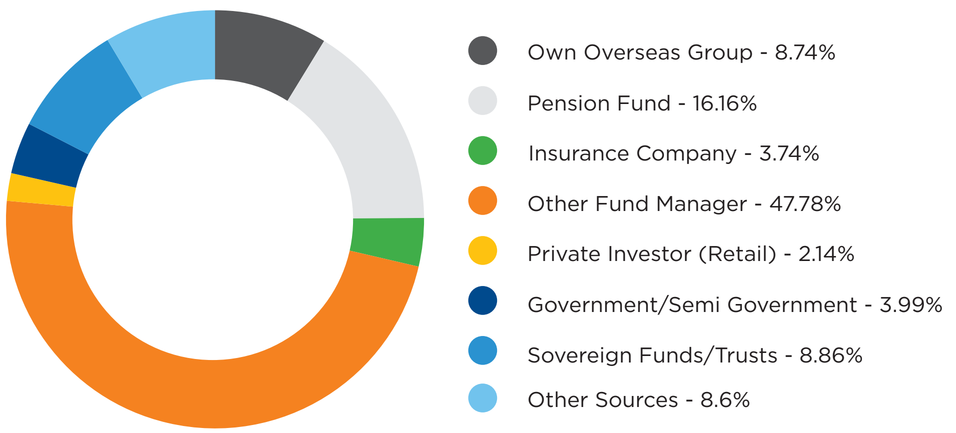
The next largest investor type was Pension Funds, accounting for 16.2% ($7.44 billion), followed by Sovereign Funds at 8.9% ($4.08 billion) and funds sourced an Own Overseas Group at 8.7% (4.02 billion).

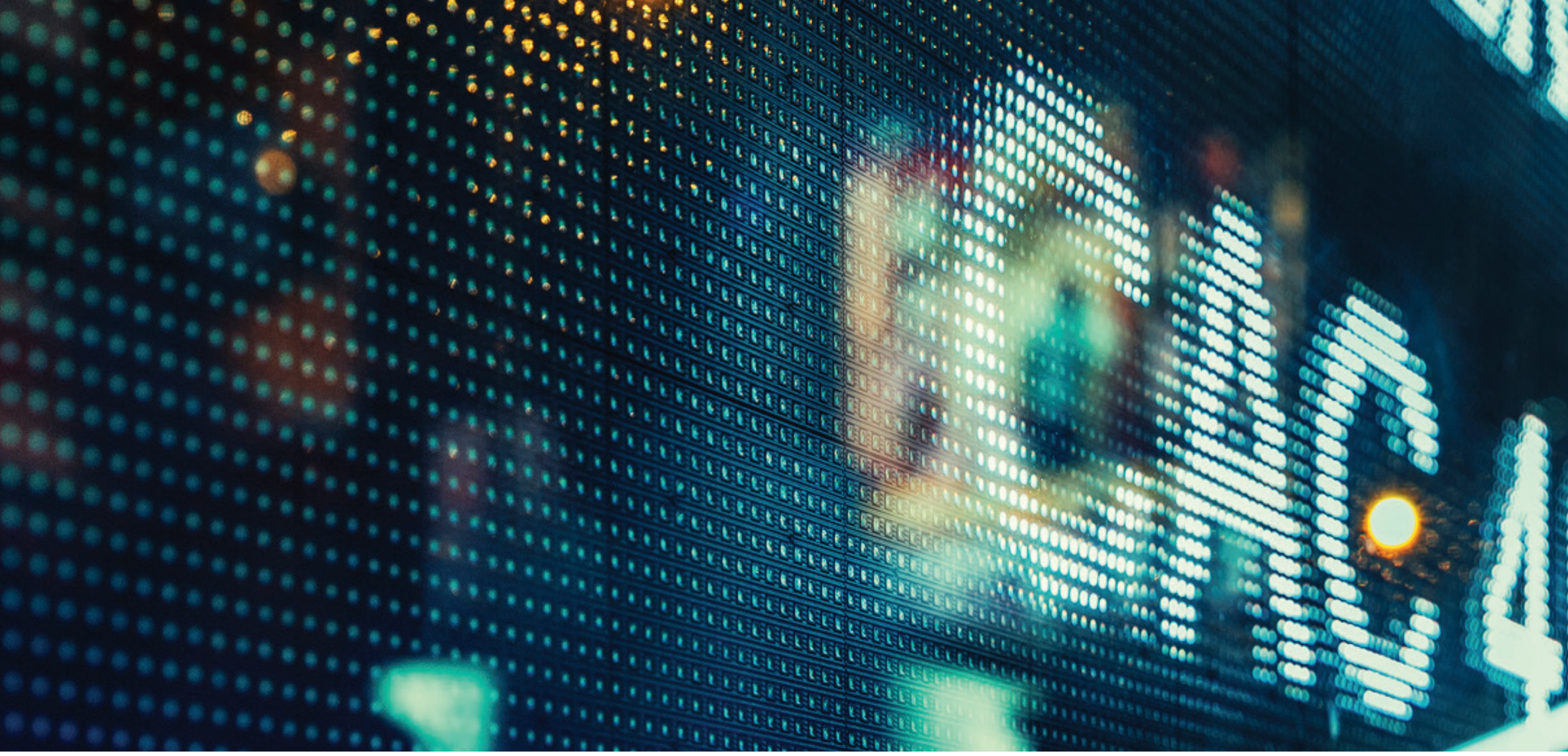
Notably, funds sourced from Other Sources were 8.6% ($3.96 billion).

TABLE 4 – INVESTOR TYPES AT 31 DECEMBER 2015

	FUNDS AT 31 DEC 2015 $ BILLION	31 DEC 2015 %
Own Overseas Group	4.02	8.7%
Pension Fund	7.44	16.2%
Insurance Company	1.72	3.7%
Other Fund Manager	21.98	47.8%
Private Investor	0.99	2.1%
Government/Semi Government	1.84	4.0%
Sovereign Fund/Trusts	4.08	8.9%
Other Source	3.96	8.6%
Total	**46.02**	**100.0%**

CHART 5 – CROSS-BORDER INVESTMENT IN AUSTRALIA BY TYPE OF INVESTOR AT 31 DECEMBER 2015





CONCLUSIONS

Funds sourced from offshore investors and managed by Australian fund managers continue their strong growth, with fund samples increasing over the study period from $20.3 billion at 1 January 2010 to $46.02 billion at 31 December 2015.

This year's sample represents 50.2% of the $91.5 billion of foreign sourced funds reported by the ABS[5] and provides a strong basis from which to examine these offshore funds in more detail, including regions that funds are sourced from, predominant investor types, and the asset classes which funds are invested into. The study provides a level of detail which is not included in the ABS data. Ideally, if better data could be collected via the ABS, more frequent and granular analysis could take place and the impact of policy changes could be better understood.

During the study period the Australian Government legislated an Investment Manager Regime (IMR) to bring Australia's treatment of certain foreign investors into line with that of the United Kingdom and other leading financial services jurisdictions. The IMR became law on 25 June 2015 and provides taxation certainty for certain foreign investors and widely held foreign funds and clarifies the taxation implications of using a fund manager located in Australia to manage their portfolio.

The positive impact of the IMR on fund inflows is unlikely to have been fully realised during the study period ending 31 December 2015.

Instead we would expect the benefits to emerge in this study, in future years.

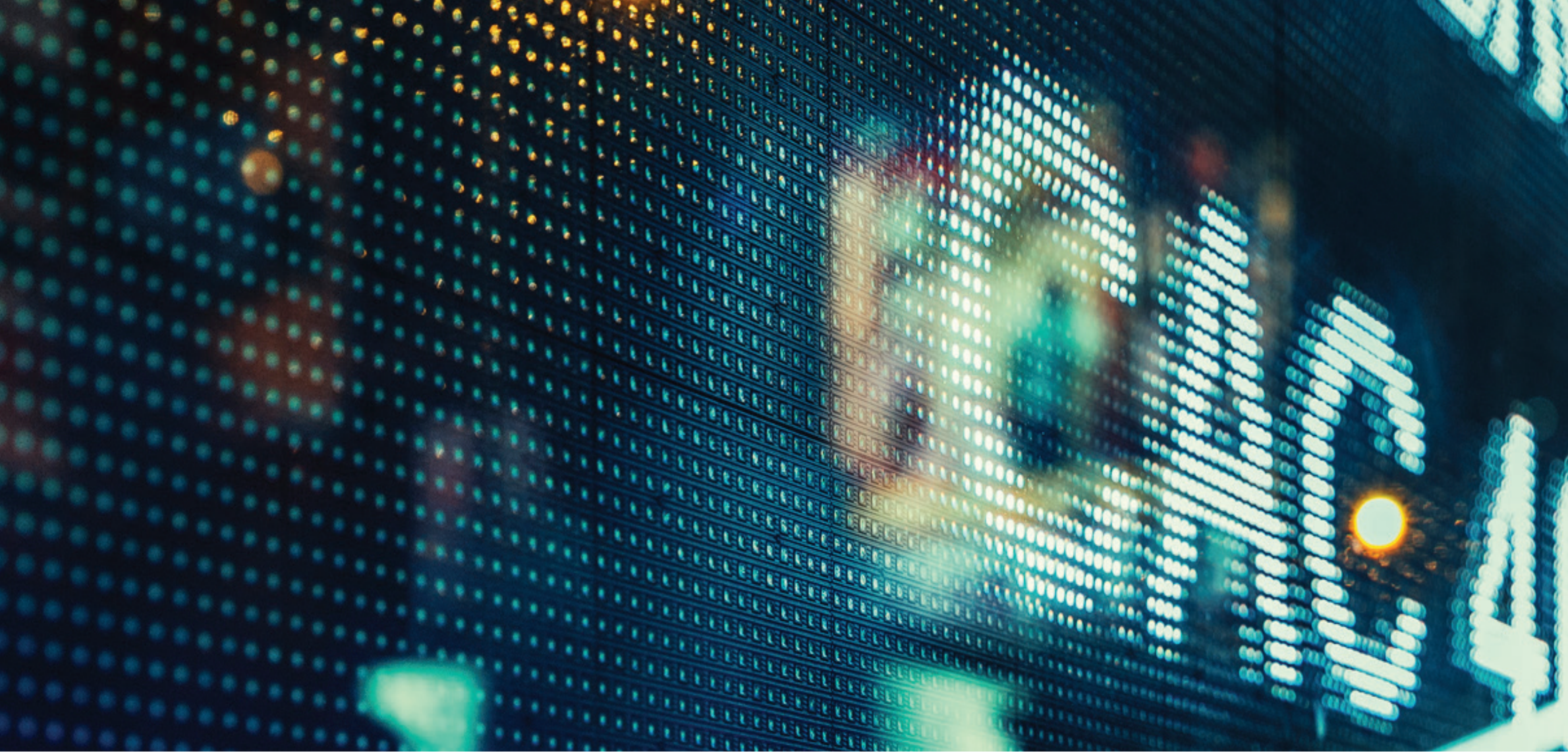
Since last year's study, the government has committed to two key outstanding recommendations from the *Johnson Report* – introducing a broader range of collective investment vehicles and participation in the Asia Region Funds Passport. Both are due to commence in 2017.

ASIA REGION FUNDS PASSPORT

The Asia Region Funds Passport was a key recommendation of the *Johnson Report* and will offer the ability for Australian investment managers to sell products to retail customers located in participating jurisdictions and vice-versa.

Since last year's study significant progress has been made on the Passport. On 28 April 2016 representatives from Australia, Japan, Korea, Thailand and New Zealand signed a Memorandum of Cooperation (MoC) which came into effect on 30 June 2016. Under the MoC participating economies have agreed to implement domestic arrangements to facilitate the Passport by 31 December 2017. The Passport will commence as soon as two countries have completed this step.

5 Australian Bureau of Statistics: Source – ABS: 5655.0 – Managed Funds Australia, December 2015 – Assets: Funds managed by Australian Investment Managers on behalf of overseas investors; Consolidated Assets Total Managed Funds Institutions – Overseas Assets



For Australia to take advantage of the significant opportunities the Passport presents, it is essential that the remaining *Johnson Report* recommendations are implemented so that Australian managers are competing on a level playing field.

> **"Going forward if we make Australian fund vehicles competitive then perhaps we could see that being more attractive to Japanese clients especially under the Asian passporting."**
>
> Australian investment manager

Likewise, if the appropriate domestic policy settings are not in place prior to Australia's entry into the Passport, the domestic market will face significant risks to its ability to compete.

BROADENING THE RANGE OF COLLECTIVE INVESTMENT VEHICLES

In the May 2016 Budget, the Australian government committed to introducing a corporate collective investment vehicle by 1 July 2017 and a limited partnership collective investment vehicle by 1 July 2018.

This announcement was welcomed by the industry and is a key outstanding recommendation from the *Johnson Report*.

Australia's unit trust structure is the only collective investment vehicle that receives tax flow-through treatment, meaning that income earned from the vehicle is taxed in the hands of the end investor, not the vehicle itself.

The *Johnson Report* found that "many potential non-resident investors in Australian funds, particularly in the Asia Pacific region, do not come from common law jurisdictions. Neither they nor their investment advisers in the region are typically familiar or comfortable with trust structures".[6]

> **"If foreign investors are buying international assets like global equities, I'm almost positive that their preferred vehicle for doing that is not going to be an Australian unit trust, it's going to be a UCITS[7] type vehicle. UCITS vehicles are well understood and readily acceptable."**
>
> Global investment house

Allowing a range of collective investment vehicle structures will bring Australia into line with successful global funds management centres such as Luxembourg, Ireland and the United Kingdom which have offered a broad range of vehicles for many years.

6 *Johnson Report* p 62.
7 Undertakings for Collective Investment in Transferable Securities

WITHHOLDING TAX

Since last year's study a stocktake of the outstanding *Johnson Report* recommendations was released – *Australia as a Financial Centre – Seven Years On – the Second Johnson Report.*[8] The report catalogued progress on the original *Johnson Report* recommendations and also outlined new barriers that have emerged since the original report was completed in 2009.

The most critical barrier now facing Australian investment managers is the withholding tax levied on foreign investors. Australia's withholding tax regime is complex, has high headline tax rates and is placing Australia at a competitive disadvantage. In the race to manage mobile capital, a complex withholding tax regime can result in managers offering 'like-for-like' products losing out to jurisdictions with simpler rules.

Unnecessary complexity makes it difficult to compare after tax returns on similar products from different jurisdictions. It is clearly recognised that Australia has a right to tax income generated on Australian assets, however the rules and rates for mobile capital must be clear and competitive to ensure Australian managers are not to be placed at a disadvantage.

"We need to remain competitive and competitive in different aspects – in terms of quality of the investment management that is offered out of Australia and competitive in the regulatory environment and tax regimes."

Global investment house

The potential for financial services exports to positively impact Australia's economy remains high and holds untapped potential. The implication of successful capitalisation of these opportunities should not be overlooked, especially as the mining boom wanes.

As a proportion of the total $2.7 trillion assets managed in Australia, the proportion of overseas sourced funds still only represents 3.4%.[9] The pool of foreign fund flows is increasing but the growth is not outstripping the growth of domestic assets under management in Australia.

In 2012/13 foreign fund flows contributed $434 million in total value added to the Australian economy.[10] Simply doubling funds management export revenue from this low base could lead to an increase in GDP of approximately $330 million per annum by 2029/30.[11] It is large increases in the growth of funds management exports that is required and the following initiatives must be completed so that these benefits can start to be realised.

8 Australia as a Financial Centre - Seven Years On <http://www.fsc.org.au/downloads/file/MediaReleaseFile/2016_0628_FSC_AustraliaasaFinancialCentre_7YearsOn.pdf>
9 ABS 5655.0 Managed Funds Australia Jun 2015, TABLE 1. SUMMARY MANAGED FUNDS INDUSTRY <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5655.0>
10 Deloitte Access Economics, "The economic impact of increasing Australian funds management exports", report prepared for the Financial Services Council, May 2014. <http://www.fsc.org.au/downloads/file/ResearchReportsFile/2014_0806_EconomicimpactofincreasingAustralianfundsmanagementexports_e64a.pdf>
11 Ibid.

INCREASING FINANCIAL SERVICE EXPORTS

This year's study showed an increase in investments flowing from the Asia Pacific region. Whilst the overall proportion of the region's contribution dropped slightly to 62% (down from 65% at 31 December 2014) the total dollar value increased by 33.3% (up $7.1 billion, from $21.3 billion at 31 December 2014 to $28.4 billion at 31 December 2015).

This increase shows the importance of the Asia Region Funds Passport and also the recent free trade agreements Australia has entered into with Korea, Japan and China, and the updated agreement with Singapore.

Each of the free trade agreements have the potential to improve Australia's trade in financial services within the region:

- The Korea Australia Free Trade Agreement (KAFTA) came into effect on 12 December 2014. Korea is Australia's fourth largest trading partner and the KAFTA will facilitate greater mutual cooperation between Australia and Korea to increase financial services trade and capital flows between the countries.
- The Japan Australia Economic Partnership Agreement (JAEPA) came into effect on 15 January 2015 and the Australian financial services industry will benefit from the commitments made by Japan to guarantee cross-border access for the provision of investment advice, portfolio management services and trade in wholesale securities transactions.
- The China Australia Free Trade Agreement (ChAFTA) was signed on 17 June 2015 and provides unprecedented access for Australian fund managers into the Chinese market. The agreement must now be ratified.
- The Singapore-Australian Free Trade Agreement (SAFTA) was updated on 13 October 2016, following the agreement's third review and is currently awaiting ratification. It will create an enhanced operating environment for financial services providers.

Further, the Trans-Pacific Partnership (TPP) is expected to create market opportunities for financial service suppliers and benefit consumers of financial products.

It is critical that each of these agreements is now implemented quickly and effectively so that existing financial relationships can be strengthened and new opportunities explored.

ABOUT THE FSC

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees.

The Council has over 100 members who are responsible for investing more than $2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world.

The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency. For more information go to **www.fsc.org.au**

ABOUT PERPETUAL

Perpetual is a diversified financial services group operating in funds management, financial advisory and trustee services.

Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia. For further information, go to **www.perpetual.com.au**

FOR MORE INFORMATION

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IMPORTANT NOTICE

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