

Australia-Japan Asia Region Funds Passport Summit – Communiqué

Sydney, 18 October 2018 – Australian and Japanese asset managers, distributors and regulators met in Sydney this week (16-17 October) to reaffirm their support for the historic opportunity represented by the Asia Region Funds Passport, a multilateral framework allowing eligible funds to be marketed to retail investors across member countries with aligned regulatory requirements.

Like the European UCITS framework, the Passport scheme has the potential to create a single retail investment management market in the Asia Pacific region, and ensures a high level of investor protection. This will mean investors in the region will benefit from more choice and competition in managed funds. Current signatories include Australia, Japan, New Zealand, South Korea and Thailand.

Hosted by the Financial Services Council (FSC), the visit by the delegation of Japanese fund managers builds on a program of trade trips between the two countries over many years to support the Passport initiative and, in a spirit of collaboration, deepen understanding of the practicality of distributing investment products across jurisdictions.

Pilot scheme findings

During the visit, Australian and Japanese fund managers heard the results of the Passport’s pilot scheme, undertaken by industry, the Australian Securities and Investment Commission (ASIC) and regulators from participating jurisdictions, including the Japanese Financial Services Agency (JFSA).

The pilot program was launched in April, with the support of a range of fund managers and service providers, to test system architecture and help participants understand the operational and regulatory requirements of launching Passport products from one jurisdiction to another.

Local asset managers involved in the pilot reported that the regulatory steps they needed to overcome to be able to distribute products through the scheme took less time to complete than anticipated, thanks in no small part to an easy-to-navigate and standardised online form, which was developed by ASIC.

One day to rival UCITS

FSC CEO Sally Loane said from an Australian perspective the pilot has been a success and congratulated the regulators, fund managers and advisers who invested in the exercise.

“After such a substantial investment from so many people over many years we want to see the Passport get off to a great start next year,” Ms Loane said.

Toshihiro Iwasaki, Chairman of the Japan Investment Trusts Association; the Financial Services Council’s counter-part in Japan; said Japanese asset managers are encouraged by the success of the pilot and look

forward to working with scheme participants and regulators to clarify the interpretation and application of some Passport rules.

“We are proud of the trade relationship we have had with Australia for over 60 years,” he said.

“This week is about deepening relationships between Japanese and Australian investment managers and harvesting local knowledge from both markets to ensure the Asia Region Funds Passport is a great success.”

It is hoped that one day the Asia Region Funds Passport may rival Europe’s 33-year old UCITS scheme in its breadth and value. As a proof-point, other jurisdictions in the region have already inquired about joining the Passport scheme.

One of the competitive edges the Passport has over UCITS is that the regime will be based in the region. The time difference delay which exists with Luxembourg can be burdensome to asset managers based in the Asia Pacific.

Continuing collaboration

During this week’s discussions the importance of financial regulators, asset managers and distributors from Japan and Australia coming closely together to establish best practice in terms of complying with the Passport regulatory regime was much discussed.

The FSC and JITA look forward to continuing to work together to establish relationships between fund managers and service providers in both countries and to support the regulators in overcoming remaining challenges.

The Asia Region Funds Passport framework will commence in Australia from 1 February 2019.

