

MEDIA RELEASE

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Australia as a financial centre – seven years on

The Financial Services Council (FSC) welcomes the release of a new report by Mark Johnson AO identifying barriers to exporting Australia's financial services.

Australia as a Financial Centre – Seven years on; The Second Johnson Report is a follow up to the 2009 report *Australia as a Financial Centre – building on our strengths*, known as the Johnson Report.

The Second Johnson Report shows that while progress has been made in implementing the original report's recommendations for growing Australia's export of financial services, some barriers previously identified in 2009 still remain and new barriers have emerged.

Sally Loane, FSC CEO, said: "We are close to being able to unlock the enormous potential of exporting Australia's financial services, but we are not there yet. The government has made some progress toward removing barriers that are preventing Australia from growing exports of funds management and other financial services to our region, but more needs to be done.

"Only one of the original recommendations relating to funds management has been satisfactorily completed. Another ten have either been commenced or committed to.

"Critically, the report has identified another six barriers that have emerged since the original Johnson Report in 2009.

"Financial services is now Australia's biggest industry as a proportion of GDP, but export value remains small, under five per cent.

"There are many growth opportunities for Australia's funds management industry in our region and globally, but if we don't implement all Johnson's recommendations and dismantle the barriers, we may be left behind in this fast-changing market."

Research by Deloitte Access Economics for the FSC in 2014 found that if Australia could grow overseas-sourced funds under management equal to that of Hong Kong over the next decade, our GDP would grow by more than \$4.2 billion, tax revenue would increase by \$1.2 billion and nearly 10,000 jobs would be created.

The original Johnson Report had bipartisan support. It was commissioned under and supported by a Labor government and then the Coalition progressed both the Investment Manager Regime and changes to Offshore Banking Units.

Sally Loane said: "We urge whichever party comes to power on July 2 to prioritise the completion of outstanding recommendations and removal of all barriers.

"There is so little left to do, we cannot stop now."

Summary of new barriers identified in The Second Johnson Report

New barriers identified in the report include:

- Australia's overall withholding tax regime, beyond the specific instances identified in the original Johnson Report;
- Treatment of foreign exchange gains and losses under Australia's taxation rules;
- Lack of multi-currency class investment vehicles;
- Unique regulatory approach under the single Responsible Entity model;
- Lack of recognition of Australian financial services licenses offshore; and
- Uncapped liability on capital for Responsible Entities/product issuers.

Summary of original Johnson Report recommendations and current status

RECOMMENDATION	STATUS
Introduction of Investment Manager Exemption	Legislated June 2015
Support for offshore banking units	Commenced, but modernisation not achieved
Review allowing a broader range of collective investment vehicles	Commitment, not yet implemented
Development of an Asia Region Funds Passport	Commitment, not yet implemented
Removal of withholding tax for foreign raised funds and foreign banks	Not implemented
Remove impediments to Islamic finance	Commitment, not yet implemented
Removal of state taxes and levies on insurance	Not implemented, situation worsened
Road-testing of all significant financial services regulatory proposals to ensure necessity, effectiveness and to minimise compliance burden	Not implemented
Periodic reviews of regulatory rules and framework to prevent against overregulation	Commenced, one review held
Government to more actively promote Australia as a financial services centre	Commenced
Establishment of a Financial Centre Taskforce	Commenced, recommendations largely ignored, eventually disbanded

[ENDS]

For further information contact the FSC on (02) 9299 3022 or via FSCMediaOffice@fsc.org.au

About the Financial Services Council

The Financial Services Council (FSC) has over 110 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 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.

