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MEDIA RELEASE: International regulators gather in Sydney to finalise Asia Region Funds Passport implementation

Financial regulators from eight nations have gathered in Sydney this week for an industry summit convened by the Financial Services Council (FSC) and the Australian Securities and Investment Commission (ASIC) to discuss the implementation of the Asia Region Funds Passport.

Regulatory officials representing each of the Passport's five signatory nations – Australia, Japan, Korea, New Zealand and Thailand – were joined by observers from Hong Kong, the Philippines and Singapore to address the practical operation of the scheme across borders.

The concept of the Asia Region Funds Passport was first developed in 2009 by former Macquarie deputy chairman Mark Johnson AO, as a framework which enables a fund registered in its home jurisdiction to be 'passport'ed to the other participating countries, protected by aligned regulatory standards.

This will mean consumers and retail investors across any participating jurisdiction will benefit from more choice and competition in managed funds. It is comparable to the UCITS (Undertakings for Collective Investment in Transferable Securities) framework developed in Europe.

FSC CEO Sally Loane said: "After more than nine years of advocacy for the Passport and detailed policy development by the FSC, it is exciting to see so many international stakeholders gather in one place to put the final touches on bringing the Asia Region Funds Passport to life.

"I am even more encouraged that representatives from our Asian neighbours in Hong Kong, the Philippines and Singapore have taken an interest in the Passport and remain optimistic they will sign up to the scheme in due course."

Fund managers, service providers and industry bodies from across the signatory nations also attended the FSC-ASIC Passport summit to identify opportunities and challenges ahead of the Passport commencing.

Pilot scheme participants

The industry summit on Friday in Sydney follows the launch of a pilot scheme, initiated by the participating economies, which is designed to test system architecture and prove all scheme participants' stakeholders are Passport-ready. The FSC has strongly supported the pilot scheme and assisted in its arrangement.

Australian organisations participating in the pilot include Morningstar, Perpetual Corporate Trust, Yarra Capital Management, Nikko Asset Management Australia, APIR, SWIFT, Calastone, Allens, DLA Piper, King & Wood Mallesons and Norton Rose Fulbright.

The Passport scheme will go live once remaining legislative and administrative issues have been resolved.

One remaining issue for Australia is our complex non-resident withholding tax system for funds management.

Ms Loane said: “For Australia to receive the substantial economic benefits flowing on from the establishment of the Asia Region Funds Passport, the government must keep its commitment to address our uncompetitive non-resident withholding tax on equity and bond funds.

“It raises little money, but harms our competitiveness within the scheme. If withholding taxes are not reformed, Australia’s fund managers will be at a major disadvantage in the Passport.”

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About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 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 fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

About the Asia Region Funds Passport

The Asia Region Funds Passport aims to facilitate cross border distribution of managed fund products across the Asia region. It allows collective investment products offered in one Passport economy to be sold to investors in another economy. Currently, funds are manufactured, distributed and administered within each jurisdiction, with no transferability across borders. The five signatories include Australia, Japan, New Zealand, South Korea and Thailand. Activation of the Passport will occur as soon as any two participating economies implement the arrangements under the Memorandum of Cooperation.