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MEDIA RELEASE: FSC welcomes legislation for Asia Region Fund Passport

The Financial Services Council (FSC) today welcome the introduction to Parliament of legislation to implement the Asia Region Funds Passport (the Passport).

The FSC urged MPs and Senators to swiftly enact it as law. Nine years after first being mooted, it is time to complete this significant financial services reform.

However, the FSC warns that the job is incomplete without vital tax reforms.

The Passport enables a fund registered in its home jurisdiction to be ‘passported’ to the other participating countries, which include Australia, Japan, Korea, Thailand and New Zealand. This will mean investors in the Asian region will benefit from more choice and competition in managed funds.

FSC CEO Sally Loane said, “The Passport will provide the means for Australian fund managers to access the rapidly growing Asian middle class, and for those clients to invest with Australian fund managers.

“With the fourth largest pool of managed funds globally and deep expertise derived from managing one of the highest regarded pension systems anywhere in the world, Australian fund managers have much to offer our trading partners in Asia.

“With the right policy settings and support of our Asian economic partners, financial services, which is already the biggest contributor to the Australian economy, can flourish as the growth engine of the nation.”

Ms Loane also said that the government should build on this important work by keeping its commitment to address Australia’s uncompetitive withholding taxes on equity and bond funds.

“Australia’s complex withholding tax system for funds management raises little money, but harms our competitiveness. If withholding taxes are not reformed, Australia’s fund managers will be at a major disadvantage in the Passport.

“This is because many investors in Passport countries will avoid Australian funds and choose to invest in a foreign fund with a simpler withholding tax system.

“As a result, there is added urgency for the Government to address this significant remaining issue.”

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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.