



10 June, 2014

Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
Canberra ACT 2600

By email: jsct@aph.gov.au

Dear Sir or Madam

Korea-Australia Free Trade Agreement

I write in support of the Korea-Australia Free Trade Agreement (KAFTA) signed in April 2014 by the Australian Minister for Trade and Investment, Andrew Robb and the Korean Minister for Trade, Industry and Energy, Yoon Sang-jick and now before the Joint Standing Committee on Treaties.

ANZ congratulates the Australian Government on the finalisation of a comprehensive FTA which will significantly boost trade in goods and services and bilateral investment flows between Australia and Korea.

ANZ believes KAFTA will be highly beneficial for economic growth and is in Australia's national interest. More transparent and liberalised regulatory processes and rules will strengthen the relationship between Korean regulators and Australian financial service providers and provide increased certainty for Australian investors more broadly.

We note that Australia has secured an outcome on financial services issues equivalent to what Korea has agreed in its bilateral FTAs with the United States and the European Union. This will ensure Australian financial services providers are not at a competitive disadvantage to companies from these countries when doing business in Korea.

In particular, ANZ wishes to endorse a number of specific outcomes in relation to Chapter 8: Financial Services, including outcomes that were identified as appropriate objectives in ANZ's submission to the Korea FTA Task Force in February 2009.

Article 8.2: National Treatment – Inclusion of core obligations such as a national treatment provision ensures that Australian financial services firms investing in Korea and their investments will be treated no less favourably by the Korean Government and regulators than Korean firms and their investments, subject to exceptions set out in Korea's non-conforming measures schedule.

Article 8.3: Most-Favoured-Nation Treatment – This provision ensures that if Korea offers more favourable treatment in future to financial services providers from another country, the same more favourable treatment will automatically be extended to Australian financial services firms.

Article 8.4: Market Access for Financial Institutions – This provides Australian financial institutions and cross-border financial service suppliers with improved access by prohibiting limitations on the number of financial services providers, the value of transactions or assets, or the type of legal entity through which services are supplied, subject to listed exceptions.

Article 8.5: Cross-border Trade – This encompasses data transfer and cross border supply issues. Data transfer (Article 8.5.1) and the related Annex 8-A and Annex 8-B commitments from Korea mean that Australian financial services providers will be able to transfer data cross-border no more than two years after entry into force of the agreement, allowing regional integration of data processing.

A provision on cross border supply of financial services (Article 8.5.2) means that persons located in Korea and Korean nationals, wherever located, can purchase financial services from firms located in Australia. Australian financial services providers will be able to do business in Korea without the need to establish a full commercial presence.

Article 8.6: New Financial Services – This provision sees the introduction by Korea of a 'negative list-based' approach to the supply of new financial services so that an Australian financial services provider will no longer require pre-approval from the Korean regulator for each new product or service it wishes to supply in Korea. The new regime presumes a financial service is allowed unless it is specifically prohibited. Korea has also agreed to allow any new financial service that it permits Korean financial services providers to supply.

Article 8.11: Transparency – Finally, ANZ endorses the commitment in this article to promote regulatory transparency in financial services. The parties have agreed to make administrative decisions relating to the operation of financial services providers or the supply of financial services through a commercial presence or cross-border supply within 120 days, on a best endeavours basis.

ANZ welcomes conclusion of the agreement and looks forward to KAFTA's entry into force.

Sincerely

Rob Lomdahl
Head of Government and Regulatory Affairs