

BUILDING ON OUR STRENGTH

**ADDRESS TO THE 2008 INVESTMENT & FINANCIAL SERVICES
ASSOCIATION PARLIAMENTARY FUNCTION**

SENATE ALCOVE, PARLIAMENT HOUSE, CANBERRA, 18 JUNE 2008

THE HON WAYNE SWAN MP, TREASURER

****CHECK AGAINST DELIVERY****

Good evening.

It's a pleasure to have the opportunity to again speak at IFSA's annual Parliamentary get-together.

A lot has happened since I addressed this function last year — not just a new job but a whole set of new challenges in the international economy.

The past 12 months have been challenging times for global financial markets — for both those that participate in them and those of us responsible for its regulatory structure.

While Australia has not been immune from these developments, our financial sector has fared better than most.

That is in large part a credit to the participants in Australia's financial sectors — people such as yourselves.

And the role that bodies such as IFSA have played in strengthening our regulatory system.

It is for this reason that I welcome IFSA's ongoing contribution to the policy debate with the release tonight of its report: *Towards a more efficient regulatory system: 2008 – 2011: Proposals for future regulation of Australian financial Services*.

My colleagues and I look forward to discussing its recommendations with IFSA over the coming months.

Positioning Australia as a financial services hub

As I outlined to this gathering last year, the Rudd Government is building on the strength of Australia's financial services sector.

To ensure that we realise this goal, the Rudd Government has hit the ground running with several important initiatives.

We are getting on with the job of making Australia a financial services sector a global leader.

International with-holding tax

As most of you will be aware, we introduced legislation into Parliament to establish a new final with-holding regime in relation to certain distributions — mainly rental income and capital gains — from Australian managed investment trusts to foreign residents.

Once fully implemented, most foreign beneficiaries will face a tax rate of only 7.5 per cent — down from the current rate of 30 per cent.

This will make Australia's withholding tax one of the most competitive in the world.

And will provide a significant boost to our ability to compete globally.

The Rudd Government has also made significant progress on ensuring greater global access for Australia's global financial services sector.

China

During my recent visit to China I was pleased to announce that Australia and China reached agreement for mainland Chinese institutional investors regulated by the China Banking and Regulatory Commission to invest in Australia.

I know this is a reform that is warmly welcomed by IFSA members as this provides an excellent opportunity for the Australian financial services sector, in particular our funds management industry.

Our funds managers will now have an increased scope to provide their services to Chinese investors seeking Australian investment opportunities.

As Richard Gilbert has pointed out, one of the main benefits is that:

“domestic funds managers are now ideally placed to partner with Chinese institutional investors in assisting them to diversify their portfolios”.

I would add that we join only five other countries that have been approved by the China Banking and Regulatory Commission as an approved investment destination.

Mutual recognition

I'm sure you're all aware that also last week the agreement for the mutual recognition of offer documents between Australia and New Zealand came into effect.

The agreement will benefit firms on both sides of the Tasman by cutting costs and increasing opportunities, through establishing a mutual recognition regime for the issue of securities and interests in managed investment schemes.

We are also progressing mutual recognition arrangements with other countries which have well-regulated capital markets.

During the Prime Minister's visit to the United States, he and the Chairman of the Securities and Exchange Commission, Christopher Cox, made an historic announcement — the development of a pilot arrangement for the mutual recognition of securities regulation between our two countries.

As well as reducing red tape — which benefits everyone — mutual recognition will provide incentives to further stimulate capital flows between Australia and the US.

Strengthening a national approach to regulation

Just when financial services are becoming more international in scope, it is difficult to see how Australia can persist without uniform and consistent national regulation.

That is why, on 26 March 2008, the Commonwealth and States agreed to work toward a single national regulatory regime for consumer credit.

Towards this end, earlier this month, Minister Sherry and I launched the Green Paper on Improving, Simplifying and Standardising Financial Services and Credit Reform.

The Green Paper sets out a clear action plan to reform the regulation of key financial products across Australia by transferring responsibility from six States and two Territories to one simple straightforward, national regime.

I would encourage IFSA members to provide submissions on the proposals sets out in the Green Paper by the end of this month.

Financial Services Hub Summit

Despite the progress we have made, I can assure you that the Rudd Government has only just begun in our efforts to secure Australia as a financial services hub.

So in closing, I would encourage you all to participate in the Financial Services Hub Summit, to be held in Sydney next month, hosted by the Assistant Treasurer – my friend, Chris Bowen.

It will examine areas of competitive advantage for Australia, and export opportunities for our financial services industry.

It will consider issues affecting the international competitiveness of Australia's financial services suppliers.

And it will examine how we can best position Australia as a regional financial services hub.

Ladies and gentlemen, again I would like to thank IFSA for its leadership in the financial services industry, and the assistance you are providing Government.

By working together, we can further strengthen Australia's financial services architecture and build Australia as a financial services hub.

Thank you and enjoy your night.