

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 20-21 February 2008

Question: aet 6

Topic: International Markets Issues

Hansard Page: Written

Senator WATSON asked:

- (1)
 - Why has ASIC and their regulators been so slow in its negotiations with Hong Kong to ensure that Australia qualifies as both an authorised inspection regime and status as a “recognised jurisdiction” for the fund management industry?
- (2)
 - Is ASIC aware of the tremendous opportunities to Australia in obtaining such recognition jurisdiction given the growth of the Hong Kong funds, currently worth AUD 1 Trillion, and the fact that so far Hong Kong funds are the only funds authorised in China’s qualified domestic institutional investor program to manage funds on behalf of eligible mainland institutions?
- (3)
 - As reported in the Australian Financial review, why had ASIC given Singapore’s Investment managers access to the local retail market without any reciprocal rights for local managers?

Answer:

- (1)
 - Australia has been on the list of Acceptable Inspection Regimes under the HK SFC's Code on Unit Trusts and Mutual Funds since 2003. Under this an Australian Fund Manager licenced in Australia generally does not need to be licenced by the HK SFC if they provide services to an authorised Hong Kong collective investment scheme. An MOU was signed between the HK SFC and ASIC on 26 June 2003 to help facilitate this: *Declaration on Cooperation and Supervision of Cross-Border Investment Management Activity*. On 7 July 2008 ASIC and HKSFC signed a 'declaration of mutual recognition' to facilitate the sale of most kinds of authorized managed funds to retail investors in each other's market. This is the first kind of recognition of this type entered into by Hong Kong. It is more generous in its recognition of Australia's regime from the 'recognised jurisdiction' arrangements of the HKSFC.
- (2)
 - ASIC is aware of Hong Kong's key status as a channel for Chinese collective investment-like funds and has been in dialogue with various Chinese regulators regarding China's Qualified Domestic Institutional Investor Scheme (QDII). Earlier in 2008, the China Securities Regulatory Commission confirmed that its existing MOU with ASIC was sufficient for the purpose of recognising Australia as an

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investment destination under CSRC issued QDII regulations. On 10 June 2008, ASIC reached a formal agreement with the China Banking Regulatory Commission (CBRC). This agreement means Australia is an approved jurisdiction to which approved Chinese commercial banks may invest under the CBRC – issued QDII regulations. ASIC is continuing to work with Treasury and DFAT to obtain for Australian status as an approved QDII investment destination under the QDII regulations of the China Insurance regulatory Commission.

(3)

- This relief was given after consideration of an application by the Monetary Authority of Singapore (MAS) made under *ASIC Regulatory Guide 178: Foreign collective investment schemes* (RG 178). The class order relief under RG 178 is designed to facilitate and regulate the operation in Australia of Singaporean collective investment schemes authorised in Singapore by MAS. Once the set preconditions are met it provides conditional, on-going relief from requirements relating to registration of a managed investment scheme, AFS licensing and financial product disclosure. The relief is provided with conditions dealing with registration with ASIC, AFS licensing and financial product disclosure. This enables the affected schemes to operate in Australia and avoids operators having to comply with two sets of requirements, where they achieve the same outcomes and are regulated by a sufficiently equivalent regime. RG 178 is long held ASIC policy that is implemented on an unilateral basis. RG 178 recognises overseas regulation on a unilateral basis to provide the benefits of enhancing competition and innovation in the financial services industry and to increase Australian investors' access to financial facilities, services and markets. ASIC has previously recognised the US, New Zealand, Hong Kong, Guernsey and Jersey and the UK for the purposes of RG 178. Please note, ASIC is currently in discussions with MAS for the recognition of Australian registered schemes on a basis similar to the arrangement reached with the HKSFC.