

Opening Speech to FSC Annual Conference

Gold Coast Convention Centre

1:30PM, Wednesday, 5 August 2015

Greg Cooper, FSC Chairman

Good afternoon Ladies and Gentlemen, on behalf of the Board of the Financial Services Council, welcome to the 2015 FSC Conference.

Let me start by acknowledging the Traditional Custodians of this land the Yugambah (yoo-gum-bear) People, I would also like to pay respect to the Elders past and present and extend that respect to other Aboriginal and Torres Strait Islanders present.

I also thank our platinum partner, KPMG for their continued support of the FSC Conference over many years and to our other sponsors and media partners for this year's event.

This year, marks the beginning of the next era for the financial services industry. The Global Financial Crisis has passed, the plethora of regulation and legislation has settled, and the mining boom has waned.

We are entering the services era – the next growth phase for Australia. It is an era which presents a tremendous potential for growth in the economy, for employment and deployment of the skills and experience of our financial services professionals, and for the future of Australia's economy.

Our environmental landscape is changing. In May, the Federal Government announced that it would set funds aside to establish a Treasury office in Sydney. This is a groundbreaking move that should facilitate better industry engagement and consultation for policy and recruitment of financial services expertise at a senior level. It will also enable easier implementation of public policy due to the closer physical proximity to financial market participants.

And it will provide an opportunity for the corporate sector to strengthen their engagement with government and to gain additional insights into economic and market trends.

This is a very clear signal of the changing role of financial services in Australia.

Our industry is larger than the capitalisation of the ASX and we have the fourth largest funds management industry in the world. We have an industry to be proud of and an industry that can underpin the future economic and employment growth for Australia.

But there is work to be done.

Australia has a significant financial services market, yet of the \$2.5 trillion of assets under management, only five per cent is exported. There is a tremendous potential to build on this.

Our comparative advantage in funds management is an industry that has the potential to become a major exporter of services in the Asian Century. Asia is our future.

Free trade deals with China, Japan, Korea and the Asia Region Funds Passport are examples of industry, politicians, policy makers and regulators working together to achieve a positive outcome for the industry and the nation. We are confident that over time these schemes will mark a new era of financial integration with Asia.

To reach this point there must be integration with initiatives that are already established in the region such as the Asian and ASEAN passport schemes and mutual recognition schemes so Australia can be part of the Asian trading bloc.

The Financial Services Council has played a leading role in building relationships between the Australian and Asian Region economies. For the second year running, the FSC led a delegation of Australian fund manager CEOs to Japan and Korea for discussions with high level officials and CEOs on how Australia can progress closer ties with those countries in financial services.

This year, The Hon Josh Frydenberg, Assistant Treasurer, accompanied the delegation which was arranged with the assistance of Austrade.

The Japan Australian Economic Partnership Agreement, the Korea Australia Free Trade Agreement and China Australia Free Trade Agreement announced last year were important steps for establishing liberalised trade in our region. These are initiatives which are important for delivering outcomes that facilitate Australian financial services exports to Asia and an export-oriented and globally competitive financial services industry for Australia.

We have a lot to gain from mutual cooperation with Northern Asia on investment and financial services and the FSC has been working with these countries to further opportunities for Australia. Both countries have ageing populations and both countries must meet the needs of their populations in retirement. There are significant challenges but there are also opportunities for us to learn from each other in how approach these challenges.

More recently, the FSC made representations to the Joint Standing Committee on Treaties for the China Australia Free Trade Agreement.

This free trade agreement seeks to bridge part of the gap that is preventing Australia from exporting our funds management expertise. It provides our industry with unprecedented access to the Chinese investors.

And China is a market that Australia's financial services industry wants to access.

China is now the world's largest economy, having overtaken the United States. China has a household savings pool of US \$8 trillion and one billion people are expected to move into the Chinese middle class by 2030 – that is 70 per cent of the Chinese population.

As this growing pool of Chinese investors seeks returns offshore, Australian managers will be there to assist.

But China is also important as an investment destination.

Australia now has preferential access to China's markets, as part of this free trade deal. Australia is just one of 12 countries that have been granted a Renminbi Qualified Foreign Institutional Investor (RQFII) [are-kew-fee] quota, which guarantees access to Chinese share and bond markets.

The agreement with China is a significant step forward in the reduction of regulatory barriers to cross-border trade in financial services.

Another step forward has been the implementation of Australia's Investment Manager Regime (IMR) which was a recommendation from Mark Johnson's 2009 review –Australia as a Financial Centre.

The FSC has worked closely with government since then to ensure that the IMR would be as effective as the approach adopted in the United Kingdom. On 25 June 2015, the Australian IMR became law. Now foreign investors have taxation certainty when using Australia fund managers.

But there is more work to be done at home. Six years on, the Johnson Reform agenda is not yet complete.

We encourage the government to finalise the outstanding recommendations as a priority, so Australia can reach its full potential as an exporter of financial services.

In particular, the introduction of a wider range of collective investment vehicles is essential for Australia to be able to service investors in these new markets. Our unit trusts are archaic and not well understood by Asian investors.

We need a set of modern, flexible vehicles that resonate with international investors. We need these vehicles now, otherwise our ability to capitalise on the free trade agreements with China, Japan and South Korea will be hampered.

Closer to home, the life insurance industry has been making significant progress in achieving long awaited reform of the sector. This has mainly focused on developing a new remuneration model, improved statements of advice and approved product lists which aim to build a more sustainable advised insurance industry and to develop better outcomes for consumers.

Since the Assistant Treasurer's 26 June policy announcement, the FSC has been developing a code of conduct for the life insurance industry which will become an FSC standard for our members.

Now the Future of Financial Advice Legislation has settled, the FSC has been taking proactive steps to pave a way forward through working with the advice industry and broader stakeholders to develop educational requirements, competency standards and a structure for an entity to oversee the requirements for the advice industry as a profession. The FSC is continuing to consult on this process with policy makers and other stakeholders.

During the past twelve months, the FSC has been working to close the economic and knowledge gap in indigenous native title. The recent development of a Native Title Standard for FSC trustee members sets a benchmark for financial services organisations engagement with First Australians. It ensures that tailored, culturally appropriate services are offered to communities. The Standard has attracted bi-partisan support, and is a good example of business and Indigenous communities working effectively together.

Ladies and Gentlemen, at the outset of this conference it is fair to say that our industry is on the precipice of change.

Our theme, Visualise, sets the scene for the content which will generate discussion and debate on the future of financial services in Australia.

We have some engaging debate on superannuation, the role and future of financial services as the major industry in Australia, Assistant Treasurer, The Hon Josh Frydenberg and Shadow Treasurer, Chris Bowen MP will provide insights into the policies that affect our industry, and special guest presenters, Peter Greste and former Prime Minister, The Hon Julia Gillard are plenary speakers we can look forward to hearing from during this conference.

But firstly, I am pleased to announce that the FSC has accepted a number of new members over the past 12 months:

- J.P. Morgan Asset Management (Full)
- Bell Asset Management (Full)
- NobleOak Life Limited (Full)
- SKL Executive Pty Ltd (Supporting)

I would like to thank and acknowledge John James who resigned as a Director of the FSC Board this year to take up a role with Vanguard in the UK. And to extend a very warm welcome to our CEO, Sally Loane who assumed the role in December last year. And to Lochiel Crafter, Head of Asia Pacific, State Street Global Advisors, who is now an FSC board member.

Ladies and gentlemen, over the past five years, the FSC has led the financial services industry to take its rightful place at the centre of the Australian economy.

The proof of this is the acknowledgement by the Murray Review that we are an industry that is a driver of economic and employment growth in our own right. During the past twelve months Free Trade Agreements have been signed with Korea, Japan and China. These reflect our future as an economy and as an industry. The FSC will continue to lead the industry's push for deeper and broader engagement with Asia through a coordinated trade and export agenda.

Ladies and Gentlemen, thank you again for attending the conference and thank you to our platinum sponsor KPMG and other sponsors and media partners.

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