

**Council for Trade in Services**

**FINANCIAL SERVICES**

Background Note by the Secretariat

**INTRODUCTION**

This note has been prepared at the request of the Council for Trade in Services in the context of the information exchange programme. It intends to provide background information for sectoral discussions to be conducted by the Council. As with previous sectoral notes by the Secretariat, this note is intended to provide basic and general information for the purpose of stimulating the discussion of relevant issues by Members.

There is an abundance of literature related to trade in financial services. WTO document S/C/W/26/Add.1 of 29 May 1998 reviews a large number of empirical studies on the economic effects of services liberalization, particularly in the area of banking services. There have also been earlier notes by the Secretariat on the financial services sector, and on classification and other technical issues.<sup>1</sup> Readers are requested to refer to those notes, as necessary.

Work by other international organizations, most notably the IMF, World Bank, OECD, BIS, IOSCO, IAIS and G30, among others, are also particularly relevant for this sector. A number of documents and publications issued by those organizations are introduced in the following, but it will only be a fraction of the total. A recent study by Wendy Dobson and Pierre Jacquet, entitled "Financial Services Liberalization in the WTO" (Dobson, Wendy and Pierre Jacquet (1998)), not only analyzes the financial services commitments made under the GATS, but also includes case studies on selected countries. The list of references in this publication is also useful.

For the financial services sector, members of the WTO Secretariat prepared a special study in September 1997 entitled, "Opening Markets in Financial Services and the Role of the GATS" (WTO (1997)).<sup>2</sup> This study discussed, *inter alia*, the role of the GATS in financial services liberalization, the growing importance of financial services trade, the benefits from liberalization of financial services trade, and the challenges in financial services trade liberalization. This note provides an update of some of the observations made in this study, and to expand the discussions in light of recent developments in the global financial markets. The study also contains an extensive bibliography.

To facilitate the preparation of Members for the Council discussions, a list of possible issues for discussion has been added at the end of each section of the Note. The lists are by no means exhaustive, and they (or any other part of this note) should not be interpreted as an indication of any particular interpretation of the GATS nor of any particular views held by the Secretariat.

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<sup>1</sup> MTN.GNS/W/68 of 4 September 1989 provides an overview of trade in financial services and regulations affecting trade, while S/FIN/W/9 of 29 July 1996 lists some technical issues concerning financial services schedules.

<sup>2</sup> The opinions expressed in this study are those of the authors and do not represent any official views of the Secretariat.

The note is organized in five Sections plus an Annex of Tables. Section I is this introduction. Section II addresses the classification of financial services under the GATS. Section III provides an update of the economic importance and recent changes in the structure of financial services industries and markets. Section IV presents some basic features of regulation in this sector. Section V provides a brief overview of existing commitments under the GATS, and Section VI gives some sources which might provide additional information on the sector.

Future liberalization in this sector would need to take into account the causes and effects of the still ongoing global economic and financial crisis. Although an attempt is made in the following Sections III and IV to refer to the implications of the crisis on liberalization of financial services trade and regulatory reform in Member countries as well as at the international level, it is acknowledged that this is a particularly difficult moment to make firm observations. However, since the interests of Members in liberalizing financial services trade under the GATS are in the long term, the analysis below focuses on longer-term trends and structural changes, and does not discuss day-to-day fluctuations and volatility in the financial markets. For that matter, short-term concerns should not unduly override the longer-term benefits from liberalization.

### **THE SECTORAL CLASSIFICATION OF FINANCIAL SERVICES**

As noted in the document "A Brief Analysis of Cases of Ad-hoc Scheduling in Past Services Negotiations" (S/CSC/W/11 of 9 October 1997) submitted to the Committee on Specific Commitments, the sectoral classification in the "Services Sectoral Classification List" (MTN.GNS/W/120 of 10 July 1991) does not exactly correspond to the provisional United Nations CPC classification (Statistical Papers, Series M, No.77, 1991). The Annex on Financial Services (the Annex) contains a non-exhaustive list of financial services, which is a slightly modified version of the classification in the W/120 document.

In W/120, the main differences with the CPC regarding insurance are the following:

accident and health insurance are included in "life" insurance instead of "non life" insurance as in the CPC<sup>3</sup>;

reinsurance and retrocession, which were not specifically mentioned in the CPC and were part of a residual category "other insurance services n.e.c" have been separated out;

pension fund management services are set apart from life insurance services and included in asset management services under "banking and other financial services"<sup>4</sup>; and

"insurance broking and agency services" and other services auxiliary to insurance have been regrouped together as a subsector of insurance services.

The GATS Annex on Financial Services goes a step further in the disaggregation of "services auxiliary to insurance" in W/120 by separating "intermediation such as brokerage and agency" from auxiliary services and by specifying explicitly some of those auxiliary services; namely consultancy, actuarial, risk assessment and claim settlement services.

In banking and other financial services, W/120 introduces a more detailed breakdown than the CPC. For instance, CPC 81339 ("other services auxiliary to financial intermediation n.e.c") appears

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<sup>3</sup> The corresponding CPC code indicated in W/120 for life, accident and health insurance services (8121) does not cover accident and health insurance (81291 under non-life insurance in the CPC), which appears to contradict the heading for this item.

<sup>4</sup> Again, the corresponding CPC code in W/120 does not take into account that pension fund management services (included in 81212) are separated out and put under asset management services.

in correspondence with seven different items or subitems in the W/120. In W/120, the activities of financial advisors, including rating agencies, are spelled out.<sup>5</sup> Although the Annex largely follows W/120 in banking and other financial services, there are some improvements, such as an explicit indication of "credit card services" under "all payment and money transmission services".

The above would seem to indicate that the Annex provides a more disaggregated, and for that matter, a more appropriate classification for the purpose of scheduling than the provisional CPC. The new version of the CPC (Version 1.0) addresses this problem, and furthermore contains an annex indicating an alternative (more detailed) classification of financial services.<sup>6</sup> Some entirely new categories such as "reinsurance services", "investment banking services", and "group pension services" have been created. However, the correspondence between this classification and the Annex classification or the W/120 classification is not entirely straightforward. For example, the exact scope of investment banking services is not clear, and trading of derivative instruments, such as futures and options, is separated into "securities brokerage services" (brokerage of options) and "commodity brokerage services" (brokerage of financial derivatives other than options), which may be an unnecessary distinction except in jurisdictions where supervisory responsibilities are divided along this line.

A large majority of Members have based their Schedules on the classification in the Annex on Financial Services or the W/120 classification.<sup>7</sup> However, there are other variations; while some Schedules complement the classification in the Annex with the CPC codes, others have used original national classifications. As was pointed out in S/FIN/W/9, in some instances, this has made cross-country comparison of the Schedules difficult. For example: items such as the "acceptance of deposits" and "lending" include or exclude certain activities, insurance intermediation such as brokerage and agency is treated either as an independent item, or is part of "services auxiliary to insurance"; credit card services are either a part of "all payment and money transmission services", or they constitute an independent item; there are cases in which the heading in the "Sector or subsector" column indicates a narrower service sector or subsector than the CPC number listed below the heading, or where the CPC code indicates a narrower category than the sector listed; and services such as "venture capital" and "services related to securities markets" are sometimes listed without further definitions.

Given the pace of change in the sector, which tends to blur the distinction between various financial services, classification issues may become important in any forthcoming negotiations on improved commitments in this area. The classification of hybrid products, for example "swaptions", of new instruments such as "smart cards", or of products distributed through new channels such as "bancassurance"<sup>8</sup>, may need to be clarified. The classification of repurchase agreements (repos) or lending of securities may also be unclear. Another point which may need to be clarified is how to draw the line between the provision and transfer of financial information as a financial service and the supply of such services as part of other information services, such as value-added telecommunication services, audiovisual services or publishing.

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<sup>5</sup> In some cases, the correspondence between the CPC code and the W/120 item is not clear. In addition to the discrepancies mentioned in the above footnotes, trading of transferable securities in the W/120 classification includes own-account trading by financial intermediaries, which is not covered by the CPC code 81321 (which is for securities broking services) indicated in W/120.

<sup>6</sup> United Nations (1998).

<sup>7</sup> Countries that have acceded to the WTO recently, and the five Members submitting commitments in financial services for the first time with the Fifth Protocol to the GATS have generally adopted the W/120 or Annex approach, with some variations.

<sup>8</sup> See, for example, Keren, Vered (1997).

Currently, a definition of a "new financial service" exists only in the Understanding on Commitments in Financial Services (Understanding).<sup>9</sup> The Committee on Specific Commitments has discussed the question of "new services" more generally, but there may be a need for a discussion of "new financial services" by looking at practical examples in the context of classification.<sup>10</sup>

Although the GATS classification of services, which is based on the content of the services supplied, seems to be well-adapted to the ongoing changes in the financial services industries and markets discussed in Section III below, it has been heard that some countries have encountered difficulties in translating their domestic laws formulated on the basis of financial institutions to which they apply into commitments in their Schedules. Although such problems should not lead to changes in the classification of financial services under the GATS, some guidance may be required for acceding countries or Members making commitments in financial services for the first time in drafting their offers according to a classification by service.

### *Issues for Discussion*

As indicated in S/FIN/W/9, is there a need to either harmonize the sectoral classification of financial services, or at least make them more readily comparable across countries, so that the Schedules could be made easier to interpret and to compare across countries? Can an understanding be reached by Members to follow the classification in the Annex on Financial Services as closely as possible, and to indicate any necessary deviations from it in clear and comprehensible textual terms?

Although the Secretariat has not identified any major problems with respect to the classification in the Annex, delegates may wish to discuss whether the existing classification is sufficiently detailed or robust for the purposes of scheduling commitments, and is adequate for use in future negotiations. Would delegates consider that there may be room for further disaggregation of the classification in the Annex, since it sometimes groups together a fairly large number of similar services into one category?<sup>11</sup> Is there also a need to clarify the classification of some service transactions?

Is the definition and appropriate classification of new financial services a possible topic for discussion, bearing in mind specific examples of such services? In this context, would delegates wish to exchange information on any new financial services or products developed or traded on their markets?

Would developing country delegates wish to raise any particular difficulties encountered in scheduling commitments in financial services due to the existing classification of financial services? Have Members encountered difficulties in scheduling their commitments by the service provided, whereas domestic laws were based on the types of financial institutions to which the laws applied? Is there a need to address such difficulties in a systematic manner?

## **THE ECONOMIC IMPORTANCE OF THE SECTOR**

### *The Importance of the Sector in the Domestic Economy*

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<sup>9</sup> The Understanding has been adopted by 31 Members for scheduling specific commitments, including five Members deciding to adopt it as a result of the most recent negotiations.

<sup>10</sup> S/CSC/M/6, Report of the Meeting Held on 16 October, 1998. Some Members have stated in their Schedules either the need to establish a regulatory framework before admitting new financial services (EU, Japan) or that new financial services or products are subject to certain requirements or approval (Malaysia, United States).

<sup>11</sup> For example, "transferable securities" could be classified according to type (stocks, bonds, asset-backed securities etc.) or by issuer (corporations, governments, financial institutions etc.); derivative products could be broken down by the underlying instrument (securities, financial market indicators, commodities etc.); and services such as credit card services or electronic payment systems ("smart card" services) and pension fund management services could be made independent items.

A detailed account of the growing importance of the financial services sector in the domestic economies of countries, and the potential for further growth in financial services trade is found in WTO (1997). Tables 1 and 2 update or revise the tables contained in WTO (1997) showing the share of the financial services sector in total employment and value-added. They still indicate that, in many countries, the sector has grown in importance over the last 20-25 years, although since 1990 there appears to be a levelling-off of the growth trend in many mature financial markets. It should also be noted that the effect of the recent global economic and financial crisis remains to be seen in those statistics. Negative effects from the crisis on the assets and earnings of banks and securities firms are expected to appear in the statistics, although the outlook may not be bleak for all countries. In insurance, insurance premiums as a percentage of GDP have been rising for many countries as indicated in Chart 1b. of WTO (1997), but in 1995-96, there appears to have been a levelling-off of the trend in many non-European OECD countries. (Table 3)

The ongoing consolidation and restructuring of the financial services industries in the industrialized countries discussed below are also taking effect during the course of this year. Major downsizing is taking place in the financial sectors of the emerging market countries, and the effects of the global financial crisis are starting to be felt in the industrialized countries as well. In particular, the recent heavy losses incurred by the market turmoil appear to be leading to job cuts in the financial sector, especially in global investment banks, although there are also potential growth areas such as asset management and OTC (over-the-counter) trading of securities and derivatives.<sup>12</sup> A recent report by the ILO Regional Office for Asia and the Pacific indicates a high level of job losses in that region, especially in the construction, financial services and manufacturing sectors.<sup>13</sup> Apart from the effect of the crisis, it is reported that in the financial and transport sectors, the introduction of information technology has increased vastly the demand for high-skilled white-collar workers, while that for low-skilled white-collar workers have fallen in some sectors such as insurance.<sup>14</sup>

### *International Trade in Financial Services*

Table 4 updates the same table in WTO (1997). Table 5 gives further details for selected Members for which complete data were readily available. The figures generally show further growth in both cross-border financial services exports and imports of countries, but again, the effects of the financial crisis have not appeared in those figures. There are no readily available figures for investment in commercial presence of foreign financial institutions, except for the United States.<sup>15</sup> The data for this latter country shows the growing importance of cross-border trade in fee-based banking and securities services,<sup>16</sup> although sales and purchases by and from majority-owned affiliates are still more important in absolute terms. (Table 6)

There is also evidence that cross-border capital flows and activity in international financial markets grew in 1997, despite the global financial crisis.<sup>17</sup> It is worth noting, in particular, that foreign direct investment (FDI) grew in 1997, although some levelling-off is expected for 1998 in

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<sup>12</sup> See, for example, "Wall Street mulls layoffs", <http://www.cnnfn.com>, 22 September 1998.

<sup>13</sup> See ILO (1998a).

<sup>14</sup> See ILO (1998). This report, while estimating that about 140 million workers are fully unemployed in the world, expects that an additional 10 million workers will be unemployed by the end of 1998, mainly as a result of the large-scale displacement of workers in East Asia due to the economic crisis.

<sup>15</sup> As reported in WT/WGTI/W/24, the OECD and EUROSTAT have been working on data collection on activities of foreign affiliates in the service sector. First results for some countries have now become available from the OECD Secretariat, but the data appear to be fragmentary at this stage.

<sup>16</sup> Proceeds from deposit-taking and lending activities are not reflected in the data due to measurement problems. See P. 3-17 of USITC (1998).

<sup>17</sup> See, for example, BIS (1998) P. 142-3.

some emerging-market countries.<sup>18</sup> The "World Investment Report 1998" by UNCTAD reports that FDI has remained a source of relative stability in capital flows to developing countries, and has showed resilience in the face of the financial crisis in Asia and the Pacific. (Table 7)<sup>19</sup> It is pointed out that there are also factors conducive to increasing FDI to countries affected by the crisis, such as decreased costs and enhanced export competitiveness.<sup>20</sup> The steady growth in FDI may also be partly attributable to the underlying trend towards globalisation of finance and lowering of regulatory barriers in various sectors including financial services.

Even as a complete sectoral breakdown of FDI flows is not available, growth in overall FDI implies increased financial services trade not only through commercial presence, but also cross-border.<sup>21</sup> There are, to be sure, a number of features of the data on FDI flows that suggest caution in interpreting its growth, such as problems in the definition of FDI and data compilation.<sup>22</sup> Despite such measurement problems, the fact remains that FDI flows to emerging market countries have been relatively resilient in the face of the ongoing crisis. In this context, improved commitments made in mode 3 (commercial presence) as a result of the WTO financial services negotiations concluded last year are expected to be a supporting factor for steady flows of FDI capital, including inflows to the countries most seriously affected by the current crisis.

### *The Changing Structure of the Financial Services Industries and Markets*

In recent years, rapid and significant changes have occurred in the structure of financial services industries around the world. Not only have markets become integrated across traditional product lines or within national borders, but they have increasingly become so globally. Competition among different types of financial institutions (and between financial institutions and non-financial enterprises) has become intense, in addition to stronger competition between industry peers. World-wide cross-border mergers and acquisitions (M&As) in banking and insurance are now transforming the industry. Such M&As are aimed at the global restructuring or strategic positioning of firms in these industries, and are experiencing a surge very recently.<sup>23</sup> Evidence of the growing internationalization of financial markets can be seen from various data, especially for the OECD countries (Charts).<sup>24</sup> Although existing rankings of the world's top banks are still dominated by institutions from the major industrialized countries, banks from China, Brazil and Singapore appear in the top 100 list.<sup>25</sup> There is also evidence that a large number of banking entities from developing and transition economies have established themselves in OECD countries (Table 8).<sup>26</sup>

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<sup>18</sup> See BIS (1998) above and IMF (1998a) for recent developments in international financial markets.

<sup>19</sup> UNCTAD (1998). Box I.1. of this report describes a number of factors leading to a greater overall stability of FDI flows in comparison with portfolio investment flows, including longer-term interests of transnational corporations.

<sup>20</sup> See UNCTAD (1998) *op. cit.* Box II.1 of this Report also discusses the difficulty in measuring the international spread of banking, and cites some statistics on the international distribution of banking entities based on publicly accessible sources.

<sup>21</sup> A sectoral breakdown provided for Thailand in UNCTAD (1998) *op. cit.* indicates strong growth of FDI inflows from 1996 to 1997 and into 1998 first quarter for this country. (Annex Table A.VII.1.)

<sup>22</sup> Box 2.2 of IMF (1998a) provides a brief analysis of those problems.

<sup>23</sup> Described in UNCTAD(1998).

<sup>24</sup> See, for example, Table IV.23 in the Trade Policy Review of the United States (WTO (1996)) and P. 130 of the Trade Policy Review of Japan (WTO (1998a)), showing the growing activities and shares of foreign banks in the U.S. and Japanese markets. The European Commission's market access database (<http://www.mkaccd.db.eu.int>) also provides information on foreign participation in the financial services markets of selected non-EU countries. The National Treatment Study of the U.S. Treasury (U.S. Department of the Treasury (1994)) also contains such information, but has become slightly out-of-date.

<sup>25</sup> See, for example, *The Banker*, July 1998 and *Euromoney*, June 1998. It may be noted that many of the banks from industrialized countries ranking high on the list are those with extensive operations in emerging markets, such as HSBC Holdings, Citicorp and Deutsche Bank. In the top 1,000 list compiled by *The Banker*,

Such changes have been enhanced or, in many cases, instigated by deregulation which eliminated or weakened existing segmentation of financial services industries, increasingly enabling one-stop shopping for the consumer of banking, securities, insurance and asset management services. As a result, financial markets are now classified by the services provided, rather than by the different types of financial institutions that provide them.<sup>27</sup> An inter-mingling of various financial services activities and the blurring of the distinctions between different types of financial institutions are observed in many industrialized countries.

Competition between markets has also intensified. Offshore markets and financial centres prospered when regulation was tight in most major industrialized country markets, but as deregulation has taken hold in many of the world's major markets, they may look less attractive in this sense. Tax rules have been strengthened to fill loopholes created by the so-called tax havens, which would also diminish the incentives to develop businesses in offshore financial centres. Regulation to prevent money laundering has been strengthened through international cooperation. The result is increased competition between financial centres on the basis of synergies of skills and infrastructure. A recent survey on financial centres<sup>28</sup> concludes that although at least some of the financial centres will continue to thrive, those that thrive will increasingly take business away from rival centres, and today's mainly national centres will be replaced by just a handful of international centres.

### *The Impact of New Technologies*

Technological advances have had major impacts on the financial services industries. The advent of information technology has had the effect of introducing a whole new range of competitors to the financial services markets. Telecommunications providers and large retail distributors are entering the sector with direct access to the consumer.<sup>29</sup> Automatic teller machine (ATM) networks, electronic fund transfer at point of sale (PoS), home banking or remote banking, and smart cards are cited as principal types of virtual financial services, bringing about a "virtual banking revolution".<sup>30</sup> Revolutionary changes have taken place in stock exchanges where floor trading is almost completely replaced by computerized trading. Most of the world's major securities and derivatives exchanges provide electronic transactions facilities and the settlement and clearing of financial transactions are also done electronically.

For that matter, electronic banking transactions and securities trading have long become the norm between financial institutions, but they are increasingly becoming so between businesses. On the other hand, at the retail level, relatively few of the world's major banks yet provide on-line banking services. This situation is expected to change rapidly, however, as the full cost of an Internet transaction is estimated to be a fraction of the cost of a transaction made over a bank counter. In the insurance sector, on-line sales and service are expected by some to replace most traditional sales through agents or telephone services.<sup>31</sup> Tailored or one-to-one marketing of financial products and services becomes much easier and less costly through the Internet. Various forms of financial advice and personal services are also well adapted to electronic delivery, but the speed of their development

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U.S. banks appear to be the most profitable, as they represent 12 per cent of the total in assets and 18 per cent of Tier 1 capital, but raise 32 per cent of total pre-tax profits.

<sup>26</sup> See Annex Tables A.II.4. and 5. in UNCTAD (1998).

<sup>27</sup> See European Commission (1997).

<sup>28</sup> *The Economist*, 9 May 1998.

<sup>29</sup> See U.S. Department of Commerce (1998) and Hindle, Tim (1997).

<sup>30</sup> For example, see Essinger, James (1998). Such changes, however, may not always follow a straight course. See, for example, *The Economist*, 21 November 1998, on the tepid reaction of consumers to smart cards.

<sup>31</sup> It is reported, however, that the insurance industry has not yet embraced the use of the Internet to the extent other financial services have, partly due to regulatory concerns. See Pomeroy, Glenn (1998).

may depend on the security and privacy of financial transactions over the Internet.<sup>32</sup> Almost all financial institutions are projected to have an Internet site offering basic services by the year 2000, and 42 per cent plan to offer advanced Internet services such as online bill payment and balance inquiries.<sup>33</sup>

### *Financial Services Trade by Modes of Supply*

With the advent of new technologies and the resulting possibilities of remote transactions, one would expect that mode 1 (cross-border) trade will become more and more common in the supply of financial services, as compared to mode 3 (commercial presence).<sup>34</sup> However, for certain types of financial services, in particular asset management and private banking or life insurance, which involves long-term contracts or personal attention, direct contact between the consumer and the supplier still appears to be a necessity. The investment required for gaining access to electronic transactions, and the security and other regulatory issues associated with them, would still limit growth in cross-border trade, especially for the retail consumer. Consequently, although the relative importance of modes of supply in financial services seems to be shifting in favour of mode 1 recently, mode 3 may still be the predominant mode for the supply of financial services, particularly in developing countries.

### *The Rôle of the Public Sector*

Given the economic importance of financial services, the fact that the financial system constitutes a basic infrastructure of the economy, and the strong prudential concerns of countries, the public sector has traditionally played a large rôle in the financial services sectors of countries, although not as much as in telecommunications. In banking, the entire banking sector or major parts of it are still owned or controlled by public entities, although there is a clear trend towards privatization. In many countries, the postal system also provides financial services, especially in rural areas, and its share in total deposits can be as high as 20 per cent of total individual savings.<sup>35</sup> In securities, stock and derivative exchanges are often operated by public or quasi-public entities, and businesses related to the issuance of government bonds are often under stronger public sector control than other businesses. Insurance operations are wholly- or partly owned and operated by the public sector in many countries, as well.

### *Other Players in the Market*

Cooperatives, mutual institutions and other entities also play an important rôle in many countries for the supply of basic banking and insurance services. Although the *raison d'être* for such institutions may in some cases be diminishing due to the integration of domestic and international markets, and increasing competition between all types of financial and non-financial institutions, they are often granted special treatment in terms of legal status, taxes and subsidies, or exclusive supply of certain products.

As mentioned above, non-financial institutions, or non-banks increasingly play an important rôle in today's financial markets. A majority of the so-called hedge funds are non-banks not subject to direct supervision by financial authorities, and the deficiency of risk management systems and disclosure with regard to those entities as well as the banks that lend to them has been pointed out.

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<sup>32</sup> U.S. Department of Commerce (1998). A related regulatory issue is what constitutes "solicitation" or "active marketing" in Internet transactions, since many countries adopt regulation which prohibit or restrict cross-border solicitation or active marketing of financial services.

<sup>33</sup> See WTO (1998) P.29-30 and U.S. Department of Commerce (1998) P.29-33.

<sup>34</sup> Mode 2 (consumption abroad) will be significant for the relatively wealthy, and mode 4 (presence of natural persons) is also important for a number of services such as advisory or insurance consultancy services.

<sup>35</sup> For example, see the Trade Policy Review of Japan, WTO (1998a).

Those funds typically accumulate huge leverage, making them major players and sources of systemic risk for the financial sector as a whole.<sup>36</sup>

### *Issues for Discussion*

What effects will the ongoing global economic and financial crisis have on the growth of the financial services sector and employment? What are the short-term and long-term prospects for financial services trade given the seriousness of the crisis and measures taken by governments to cope with it?

What are the implications of technological innovations on the structure of financial services industries and markets? How will such changes affect financial services trade?

What possible impacts would the consolidation and restructuring of financial sectors have on financial services trade? Will they enhance competition and consumer welfare?

Is there a general trend towards privatization of state-owned financial institutions in countries? If so, what effect has it had on the structure of the financial industries and markets? What is the rôle of the postal savings system, and/or cooperatives and mutual institutions in individual countries?

How will developing countries be affected by the technological changes taking place in the sector? What conditions may be required for developing-country Members to be able to benefit from the opportunities provided by the new technologies?

## **REGULATION OF THE FINANCIAL SERVICES SECTOR**

### *The Objectives of Financial Sector Regulation*

The financial services sector is among the most heavily regulated of all service sectors. Governments tend to intervene in various ways, since the financial sector is often considered special in the sense that it provides certain services which are considered as "public goods".<sup>37</sup> The sector is considered as constituting one of the basic infrastructures of an economy and essential for development. Governments are under constant pressure to protect their financial sectors from disruptions, due either to domestic or foreign factors.<sup>38</sup> Market failure is an acute problem in the sector due to major asymmetries of information between the parties to financial transactions, and moral hazard inevitably arises from policies to prevent systemic risk and provide safety nets such as deposit insurance.

Although the content of financial sector regulation has been changing dramatically in recent years, as discussed below, the basic need for government intervention in the sector to address problems related to market failure appears not to have disappeared. Chapter II of WTO (1997) discussed four types of government intervention or involvement that could have an impact on the financial services sector, which were (i) macroeconomic policy management, (ii) prudential regulations, (iii) non-prudential regulation to pursue various public policy objectives other than that falling under (iv), and (iv) trade restrictions concerning market access or national treatment. Under

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<sup>36</sup> *Euromoney*, November 1998. It is reported that an estimated 5,000 hedge funds, with \$200-300 billion in investment capital supporting assets of about \$2 trillion, trade with the investment banks.

<sup>37</sup> OECD (1997). One may need to apply a certain amount of caution, however, in endorsing such propositions, as economic theory might indicate that many of the alleged specificities of the financial sector are actually common to many other sectors such as basic telecommunications and public transport.

<sup>38</sup> Without prejudging the outcome of the continuing negotiation on emergency safeguard measures under Article X of the GATS, the financial sector has always been considered as one of the sectors which might require emergency safeguard measures by the proponents of such measures in services.

the GATS, item (ii) is dealt with by paragraph 2 of the Annex on Financial Services, and (iii) by Article VI. Item (iv) is dealt with by Articles XVI and XVII.

Existing studies<sup>39</sup> on financial services regulation have elaborated on the stated objectives of financial services regulation, which effectively regroups (ii), (iii), and (iv) above in various ways. They unanimously endorse the need for regulatory policies to correct perceived market failures and systemic externalities in the financial sector, i.e. to reduce systemic risk and maintain a safe and sound financial system while enhancing competition. The economic gains of financial services trade liberalization must be underpinned by appropriate supervisory and regulatory regimes domestically. For that matter, financial services liberalization under the GATS allows Members to pursue such policies by allowing prudential measures to be taken, while progressively removing trade and investment restrictions in the financial services sector and enhancing competition.<sup>40</sup>

### *Prudential and Other Domestic Regulation versus Trade Restrictions*

It is beyond the purpose of this note to discuss the appropriate content of prudential regulation or the means of adequate supervision of financial institutions. Chapter V of WTO (1997) and IMF (1998a) also describe recent developments in prudential regulation and supervision. Major international efforts have been made by the relevant international organizations to improve regulatory and supervisory standards across countries.<sup>41</sup> Numerous bilateral agreements and MOUs (Memorandums of Understanding) for the exchange of supervisory information and cooperation between national supervisory authorities have been made in this area.<sup>42</sup> International efforts to prevent money laundering have also made large progress in recent years.<sup>43</sup>

There would be little objection to considering that, in banking, for example, capital adequacy ratios, limits on risk concentration and risk management system requirements, liquidity requirements, prohibitions on insider trading and transactions giving rise to conflicts of interest, rules on the classification of and provisioning for non-performing assets, "fit and proper" tests for directors and managers, as well as transparency and disclosure requirements constitute prudential measures. At the margins, however, there may be differences of views as to whether certain measures can be considered as prudential, and therefore, not subject to scheduling under the GATS.<sup>44</sup>

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<sup>39</sup> See OECD (1997) *op. cit.* and Edey, Malcolm and Ketil Hviding (1995). Also see Barfield, Claude E. ed. (1996) *op. cit.*, Introduction, which distinguishes between economic regulation, H-S-E (health, safety and environment) regulation and information regulation.

<sup>40</sup> WTO (1997). Also see Dobson, Wendy and Pierre Jacquet (1998) and Barfield, Claude E. ed. (1996) for more complete discussions of regulatory issues arising in the context of financial services liberalization.

<sup>41</sup> See BIS (1997) and other documents and publications from the same source. The activities of the Basle Committee on Banking Supervision in developing prudential standards for banking are extensive and well-documented. IOSCO (International Organization of Securities Commissions), and IAIS (International Association of Insurance Supervisors) conduct similar work in the areas of securities and insurance. Among numerous other codes and standards, IOSCO has produced the Statement of Objectives and Principles of Securities Regulation and International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers. IAIS has produced the Supervisory Standard on Licensing, as well as other standards. The OECD has also been active in the field, particularly on regulatory reform for the sector in its member countries.

<sup>42</sup> Most such international and bilateral arrangements on prudential regulation and supervision are based on moral authority or exchange of letters and documents, and not on the basis of binding international treaties such as the GATS.

<sup>43</sup> Such efforts are spearheaded by the Financial Action Task Force (FATF) based at the OECD.

<sup>44</sup> Traditional line-of-business restrictions, such as the segregation of banking, securities and insurance businesses such as those existing in the U.S. and Japan, have prudential objectives, but they can be perceived as having non-prudential elements from the point of view of European countries with a tradition of universal banking. Another example may be portfolio allocation rules for investments of financial institutions, where a shift appears to be occurring towards the adoption of prudent-person rules providing flexibility in investment decisions instead of numerical restrictions traditionally adopted in many European countries. This does not

A possible means to address concerns arising from differences in prudential regulation between countries is for each Member to recognize the prudential measures of other countries with high standards of prudential regulation and supervision. Such recognition may be based on an agreement or arrangement with the countries concerned, or may be accorded unilaterally. Although the Annex on Financial Services provides for such recognition, and a notification requirement exists under Article VII:4 (a) and (c), no notification has been made under these provisions to date.<sup>45</sup>

Non-prudential regulatory measures such as lending requirements to certain sectors or geographical regions, restrictions on interest rates or fees and commissions, and requirements to provide certain services may also exist. Services related to the issuance of public debt are often subject to special rules and standards. Some of those measures may be subject to scheduling under the GATS as limitations on market access, or as limitations on national treatment, particularly when they are applied in a discriminatory manner. They may also necessitate MFN exemptions, if applied in a discriminatory manner between trading partners.

The development of international standards and codes of good practice in the areas of financial services and accounting of financial transactions and institutions has been progressing markedly in recent years.<sup>46</sup> Such efforts are expected to reduce the possibility that domestic standards and codes are perceived by other countries as overly burdensome or effectively constitute barriers to trade.

Competition policy was not a primary concern for regulators of the financial sector in the past, when prudential and resource allocation objectives were priorities for the sector. In many countries, the sector was wholly or partly owned and operated by public entities, as mentioned above, and some financial services sectors have been excluded from the coverage of competition law in many countries.<sup>47</sup> In many cases, policies were implemented to curtail competition, such as interest rate controls, limits on the number of operations, and restrictions on the services provided such as controls on credit allocation. However, as governments embarked on privatization and deregulation eliminating those obstacles and increasingly shifted to the use of market forces to attain efficiency objectives, there is a growing need for competition policy to address anti-competitive behaviour of financial service suppliers. The recent surge of M&As involving the financial services industries could be a cause for concern in this respect, unless it succeeds in raising the overall degree of competition through transnational activities of the merged financial institutions.

In this respect, the rôle of industry associations and organizations may also need to be reconsidered. In the past, it is undeniable that such bodies often protected the collective interests of their member companies through various formal and informal arrangements limiting competition among the members. Many governments were subject to constant pressure to protect vested interests in the financial industries. Some industry associations or organizations have also assumed self-regulatory functions, which is appropriate in maintaining the standards and quality of the services provided, but may also have had negative effects on competition.<sup>48</sup> A review of the activities of such associations and organizations is taking place in some countries, limiting their rôle to the development and implementation of technical standards and ethical codes, provision of public information and consulting, and other non-collusive activities.

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necessarily mean, however, that the traditional rules are trade restrictions limiting market access or national treatment.

<sup>45</sup> This does not mean, however, that such recognition is not made in the domestic laws or regulatory practices of countries.

<sup>46</sup> A compendium of such standards and codes in banking can be obtained on the Internet Homepage [www.bis.org](http://www.bis.org), for example. Also, the development and endorsement of International Accounting Standards by IASC and IOSCO have important implications for the financial services sector.

<sup>47</sup> WTO (1997a) Section II.7.

<sup>48</sup> The Understanding contains a commitment to guarantee financial services suppliers of any other Member national treatment with respect to such regulatory bodies. (Paragraph C.2.)

Financial regulators have been generally cautious towards introducing competition in the financial sector, due primarily to prudential concerns, but also because many countries have adopted policies to develop domestic financial industries and markets. Based on those concerns, licensing and authorization requirements in financial services are often restrictive, and the conditions or requirements sometimes extend beyond prudential objectives such as soundness and competence of applicants. This appears to be the reason why many of the licensing requirements or restrictions on the number of licenses granted were inscribed in the Schedules of Members as limitations on market access and national treatment.<sup>49</sup> As such licensing requirements are liberalized and are made purely prudential, they may no longer need to be scheduled as trade restrictions, but there may still be an issue of whether they constitute unnecessary barriers to trade in financial services.<sup>50</sup>

### *Trade Restrictions and Perceived Trade Barriers*

As can be observed from the Schedules of Member countries, and from the analysis in Appendix 1 to WTO (1997), market access restrictions on trade in financial services abound, particularly in emerging market countries. On the other hand, many of those limitations have been removed or relaxed during the successive negotiations at the WTO, both unilaterally and through negotiations at the regional or multilateral levels. Regional and bilateral agreements to liberalize financial services trade and investment are also becoming important. They may take the form of a single market (EU), regional economic integration agreements (such as NAFTA, ASEAN, MERCOSUR), or bilateral agreements or understandings (such as the U.S.–Japan measures in insurance and financial services).<sup>51</sup> The OECD Code of Liberalization of Capital Movements and Code of Liberalization of Current Invisible Operations, as well as its National Treatment Instrument contain comprehensive liberalization provisions for the industrialized countries. The NAFTA contains a special section on financial services, together with transitional measures to allow a phased-in liberalization of this sector for Mexico.

With regard to market access limitations applied by WTO Members to commercial presence of financial services suppliers, restrictions on the specific types of legal entity or joint venture and limitations on the participation of foreign capital in local financial institutions are common. Although such measures may be motivated by a policy to develop national financial industries, they may also stem from supervisory concerns, since the supervision of branches would require information on the head office abroad, and this is more difficult than the supervision of locally incorporated subsidiaries, particularly when the regulatory mechanism is not well-developed.<sup>52</sup> In this respect, international cooperation in consolidated supervision of financial institutions is expected to gradually alleviate any supervisory concerns.

Other forms of market access restrictions include limitations on the number of licenses granted, either in the form of numerical quotas or economic needs tests. Some countries impose a moratorium or a freeze on new bank licenses. A restriction on new licenses may have prudential connotations, if countries seek to prevent "over-banking" or excessive competition in the financial sector for the purpose of reducing systemic risk and ensuring uninterrupted service. However, it may not qualify as

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<sup>49</sup> It is again noted that the Understanding (paragraph B.6.) explicitly allows a Member adopting it to impose terms, conditions and procedures for authorization of the establishment and expansion of a commercial presence.

<sup>50</sup> Although technically, Article VI:4 and 5 may not be applicable to prudential measures, questions may remain as to whether they are based on objective and transparent criteria, or are not more burdensome than necessary.

<sup>51</sup> The content of such agreements and arrangements can be found in notifications to the WTO under Article V of the GATS, the proceedings of the Committee on Regional Trade Agreements, and in various Trade Policy Reviews. Also see, for example, White (1996).

<sup>52</sup> It is interesting to note, however, that some countries (for example, India and Korea until recently) appear to have preferred branches of foreign banks over subsidiaries.

a prudential measure within the meaning of the Annex, since it does not directly aim to protect investors and depositors or address instability; its primary objective is to restrict competition, including that from a sound and superior competitor. Similar considerations may apply to restrictions on the number of operations such as branches or ATMs, as well as limitations on the value of transactions or assets (such as limitations on the share of banking assets allowed to be held by foreign banks).

Concerning national treatment, special authorization requirements for foreign institutions, limitations on the ownership of land, and nationality and residency requirements for members of the board are very common. Taxes and subsidies also cause national treatment concerns. Taxation is often a determining factor in the decision of the location of financial transactions and can substantially alter the conditions of competition between financial service suppliers.<sup>53</sup> Subsidies are also not uncommon, but they may take the form of preferential loans from the central bank or governmental entities, which may be difficult to identify. Governmental assistance to the banking sector provided in the context of a financial crisis may have national treatment implications, but could constitute prudential measures if the objective is to protect depositors or to restore the stability of the financial system.<sup>54</sup> National treatment and MFN are important issues in government procurement of financial services, especially when it relates to issuance of public debt.

It has been stated by observers that, in the OECD countries, restrictions on market access and national treatment in financial services have been substantially reduced thanks to reform,<sup>55</sup> and most of the progress, in particular for commercial presence, has been reflected in the commitments made by those countries in the most recent negotiations.<sup>56</sup> As a result, the focus of governments in addressing barriers to trade in financial services appears to have shifted to non-discriminatory measures in domestic regulation including prudential measures and licensing requirements and procedures which may have the effect of creating difficulties for foreign suppliers to make headway in the market.<sup>57</sup> Transparency and efficiency of the administrative process are increasingly taken up in this context. Competitive safeguards, or appropriate measures to create fair competition in newly opened markets, become increasingly important with liberalization.

The scheduling of Additional Commitments for a number of countries<sup>58</sup> in the most recent negotiations containing regulatory principles or guidelines on the procedures for licensing and authorization of new activities and products would appear to be a reflection of such shifts in focus.<sup>59</sup> As non-OECD countries also bring down trade restrictions under the GATS, remaining obstacles to free trade in financial services for those countries are also expected to stem from various differences in prudential or non-prudential domestic regulation across countries.

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<sup>53</sup> The Committee on Fiscal Affairs of the OECD has been discussing issues related to the taxation of new financial instruments and the taxation of global trading of financial instruments. See <http://www.oecd.org/daf/fa>.

<sup>54</sup> S/WPGR/W/25 of 26 January 1998 reports that, according to WTO Trade Policy Reviews, at least ten Members have assisted their offshore banking sectors or rescued ailing domestic banks in recent years.

<sup>55</sup> OECD (1997) provides such an assessment on the regulatory reform process in this sector. The OECD Codes of Liberalization of Capital Movements and of Current Invisible Operations undoubtedly played an important rôle in this respect.

<sup>56</sup> This has been achieved by the adoption of the Understanding. However, market-access commitments for cross-border trade of financial services in the Understanding do not cover the "core" services of banking, securities or insurance businesses.

<sup>57</sup> See Kampf, Roger (1997) for a discussion of this issue. The Understanding (paragraph B.10.) addresses some of those concerns about non-discriminatory measures. For some examples of perceived regulatory barriers raised in bilateral trade relations, Industrial Structure Council, Japan (1998) and USTR (1998). Also see European Commission (1996).

<sup>58</sup> The European Union, Japan and the United States. See Section IV below.

<sup>59</sup> Some of the Additional Commitments appear to be extensions of the provision in Article VI:3.

Other specific concerns of financial regulators raised in past negotiations included: matters relating to transfers of information and data processing, including transfer of necessary equipment, financial expertise in dispute settlement on prudential issues and other financial matters, and access of financial service suppliers to payment and clearing systems.<sup>60</sup>

### *The Changing Structure of Financial Services Regulation*

Concomitant with the changes in the structure of industries and markets over the years discussed in Section II, major changes were made in the regulatory regimes of countries concerning financial services in recent years. OECD (1997) describes the evolution of financial sector regulation in OECD countries towards market-based decision-making up to the early 1980s; e.g. the removal of interest-rate controls and the liberalization of portfolio allocation rules, while most recent reform has served to tighten prudential oversight by imposing stronger capital requirements and prohibition of insider trading.<sup>61</sup> Disclosure and accounting rules have also been tightened in many countries especially in recent years. For that matter, deregulation of various restrictions on the activities of the suppliers of financial services, which involves both prudential and non-prudential regulation, has been followed or accompanied by re-regulation in terms of stronger prudential and transparency rules as well as competition policy.<sup>62</sup>

Such deregulation and re-regulation are both the cause and the effect of the above-mentioned inter-mingling of various financial services activities and the blurring of the distinctions between different types of financial institutions observed in many industrialized countries. The elimination or lowering of traditional segmentation of financial services industries has enhanced competition among financial service suppliers, increasingly enabling one-stop shopping of banking, securities, insurance and asset management services for consumers. Such deregulation, however, needs to be accompanied by appropriate prudential and transparency rules as well as measures to prevent anti-competitive practices, in order to effectively enhance fair competition and innovation in the financial services industries and markets.

Traditionally, financial sector regulation was formulated by the type of institution to which it applied, such as laws on securities firms and insurance companies in many countries, as mentioned in Section I. However, as different financial (or non-financial) institutions enter markets which were hitherto reserved for a certain type of financial entity, legislation needs to take into account the various players entering the market, and ensure that regulation does not distort competition amongst them.<sup>63</sup> Global, regional and bilateral integration of markets increasingly expose inconsistencies and distortions caused by differences between national legislation, and there is a mounting need for international coordination.

The ongoing international efforts towards global consolidated supervision of financial institutions were described in WTO (1997). However, the ability of both regulated and unregulated entities to unbundle, repackage and trade financial risks has made it difficult, if not nearly impossible, to identify the distribution of financial risk across institutions. The recent episode of the collapse of a major hedge fund has illustrated this difficulty. Consequently, there is also an increasing need to improve the means for consolidated supervision, as the activities of financial institutions diversify, and financial conglomerates are created through M&As. In addition to achieving consistency in the

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<sup>60</sup> See the relevant provisions of the Annex and the Understanding.

<sup>61</sup> See OECD (1997).

<sup>62</sup> Information on regulatory developments for the OECD countries can be obtained from the publication "*Financial Market Trends*", OECD, June 1998 and other issues.

<sup>63</sup> Such considerations extend beyond borders, as distortionary regulation could provoke regulatory competition between countries, resulting in sub-optimal regulation overall.

regulatory treatment of different market participants, there should also be greater consistency in the regulation of financial activity across different asset markets.<sup>64</sup>

In response to such needs, regulators in some countries have now moved to (i) reorganize the regulatory structure and shift to regulation by function, applicable to all types of entities that supply identical services; and, (ii) create a "super-regulator" which can exercise effective supervision over various types of financial institutions and financial conglomerates.<sup>65</sup> Regulation at sub-federal level or geographical restrictions on the activities of financial institutions are also being revisited, as regional market integration proceeds, or as technological advances extend the outreach of financial institutions.<sup>66</sup>

The structure of regulatory and supervisory authorities at the international level is also being reviewed, in response to the afore-mentioned integration of financial institutions and markets at the international level. Most recently, particularly due to the current crisis involving market volatility and problems associated with the activities of hedge funds and inadequate risk management of financial institutions, a strengthening of the architecture of the international monetary system is called for. The main efforts being made under the auspices of the IMF and other groups such as the G22 and G7 in this context are (i) the development, dissemination, and adoption of internationally-accepted standards or codes of good practice, (ii) enhancement of greater transparency and reporting, (iii) strengthening of domestic financial systems through international collaboration and coordination, (iv) promoting the orderly integration of international financial markets, and (v) involving the private sector in the prevention and resolution of financial crises.<sup>67</sup> Under item (iv), the Board of the IMF is asked to review the experience of countries with the use of controls on capital movements, and the circumstances under which such measures may be appropriate.<sup>68</sup>

It would go beyond the scope of this note to attempt to provide a full account of the current debate on the appropriateness of capital and exchange controls in response to the present crisis. Discussion on the desirability and proper sequencing of capital account liberalization is also very much ongoing.<sup>69</sup> For the purpose of this note, it may suffice to mention that liberalization of capital movement required under the GATS is limited to that necessary for the supply of a service subject to specific commitments in mode 1 (both inflows and outflows) and mode 3 (inflows) (Articles XI and XVI (footnote)), as pointed out by Dobson, Wendy and Pierre Jacquet (1998).<sup>70</sup> Even when governments find it necessary to temporarily strengthen capital controls for prudential reasons, i.e. to ensure the integrity and stability of the financial system, they would wish to ensure that such measures

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<sup>64</sup> IOSCO (1998).

<sup>65</sup> Box 5.9 of IMF (1998a) discusses the Financial Services Authority of the United Kingdom as an example of such endeavours.

<sup>66</sup> Obvious examples are the creation of the single market in Europe and liberalization of interstate banking in the United States.

<sup>67</sup> Communiqué of the Interim Committee of the IMF, 4 October 1998, and the Report of the Managing Director to the Interim Committee on Strengthening the Architecture of the International Monetary System, October 1998. Also see the reports of the three G22 Working Groups on those issues. All those documents are available on <http://www.imf.org>.

<sup>68</sup> Various proposals have been made by market participants and observers. See, for example, Soros, George (1998). Some proposals included in this testimony are: the establishment of an International Credit Insurance Corporation, the establishment of some kind of international supervision over the national supervisory authorities, and a reconsidering of the international banking system and the functioning of the swap and derivative markets.

<sup>69</sup> An interesting contrast of views can be seen in Bhagwati, Jagdish (1998), Krugman, Paul (1998) and Summers, Laurence H. (1998). Also see UNCTAD (1998a).

<sup>70</sup> According to these authors, "Market access and foreign entry imply that some freedom of capital movement will follow, but that freedom need not be full-blown." IMF (1998b) states that there is clearly scope for strengthening efforts to ensure that capital account liberalization is well sequenced and prudent (P.18).

Also see Sorsa, Piritta (1997). Kono, Masamichi and Ludger Schuknecht (1998) attempts to provide further discussion of the distinction between financial services liberalization and capital account liberalization.

do not undermine the substantial benefits derived from liberalization of financial services trade under the GATS.<sup>71</sup>

Although it is too early to foresee the outcome of the most recent reforms being undertaken by governments in financial services regulation and supervision, there seems to be no doubt that they aim to improve the functioning of the markets, and to complete rather than reverse achievements in financial services liberalization. Adequate prudential regulation and supervision, enhanced transparency and corporate governance, strengthened competition policy, provision of safety nets, and proper legal and accounting systems are all preconditions for countries to be able to benefit from the sizable benefits of liberalization.

### *Issues for Discussion*

Have Members encountered any problems in interpreting the scope of prudential measures as defined in the GATS Annex? If yes, what would be the possible solutions to such problems? Could countries inform other Members of experiences with recognition of prudential measures of other countries?

What are the major remaining trade restrictions in financial services? Are Members aware of any prudential and non-prudential measures taken in domestic regulation which constitute obstacles to trade in financial services?

What are the implications for the GATS and Members' commitments of recent reform in financial sector regulation in many countries? Would the ongoing reform in the architecture of the international monetary system have implications for liberalization of financial services trade under the GATS?

## **COMMITMENTS UNDER THE GATS**

Appendix 1 of WTO (1997) provides an analysis of the coverage, level and type of existing GATS commitments (before the conclusion of the most recent negotiations) in financial services. Although significant improvements have been made to those commitments as a result of the financial services negotiations concluded last December, those new commitments have not yet entered into force as of the date of this note, and the numerical analysis presented in Tables 10 to 21 of the above publication could not be updated due to resource constraints.<sup>72</sup> However, a summary of the main improvements resulting from the negotiations is available on the WTO Internet Homepage (<http://www.wto.org>) as well as a briefing note on the results of the most recent negotiations.<sup>73</sup>

Table 9 shows the sectoral coverage of the commitments, taking into account the progress made in the negotiations. It shows that almost all Members with commitments in financial services cover the "core" services in insurance, banking, and securities. Somewhat fewer Members made commitments in areas such as insurance intermediation and the provision and transfer of financial information. Only about a half of the Members with financial services commitments made them in

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<sup>71</sup> See IMF (1998a), Section III for a discussion of the policy issues involved. It is stated that (in emerging markets where there are limits to the pace at which financial sectors can be strengthened) policymakers need to undertake an orderly opening of their financial systems, and may need to consider imposing temporary measures to restrain certain types of (capital) inflows (P.79). Also see Krugman, Paul (1998), for example.

<sup>72</sup> Such analysis, when it becomes available, will be distributed as an addendum to this note.

<sup>73</sup> See also Kampf, Roger (1998); Dobson, Wendy and Pierre Jacquet (1998); and British Invisibles (1998) for an assessment of the results. Mattoo, Aaditya (1998) provides an analysis of the new commitments made by developing countries. Analysis made before the most recent negotiations include Kampf, Roger (1995), Bedore, James (1995), Sorsa, Piritta (1997), and Key, Sydney J. (1997).

derivatives trading. Improvements were made in all of the three major financial service sectors, banking, securities and insurance.<sup>74</sup>

Concerning the modal coverage of the commitments made, there is a continuing predominance of commitments for commercial presence (mode 3) as compared to those for cross-border supply (mode 1). Most improvements made in the course of the most recent negotiations were also for mode 3, but there were some exceptions such as Macau which made improved commitments exclusively in cross-border supply and consumption abroad (modes 1 and 2). Improvements in mode 3 were made, *inter alia*, by eliminating or relaxing limitations on foreign ownership of local financial institutions, limitations on the juridical form of commercial presence (such as branches, subsidiaries, representative offices, etc.) and limitations on the expansion of existing operations.

An important issue in the negotiations was the "grandfathering" of existing branches and subsidiaries of foreign financial institutions that were wholly- or majority- owned by foreigners. This was when the commitment in a Member's Schedule became more restrictive than the status quo in the country (for example, in terms of the share of foreign capital allowed in local financial institutions, or in terms of the number of branches allowed) due to a change in the laws of the country, a specific commitment was made to guarantee the prevailing level of market access to foreigners. At least seven Members (Brazil; Hong Kong, China; Indonesia; Malaysia; Pakistan; Philippines; and Thailand<sup>75</sup>) explicitly made such guarantees in their Schedules as a result of the most recent negotiations.<sup>76</sup>

Sectoral MFN exemptions in financial services have been taken by 39 Members.<sup>77</sup> Although broad MFN exemptions based on reciprocity (or similar requirements) were largely eliminated as a result of the most recent negotiations, they remain in the MFN exemption lists of 13 Members.<sup>78</sup> In relation to the question of grandfathering existing foreign ownership in local financial institutions, the United States took an MFN exemption in insurance, applicable in a circumstance of forced divestiture of U.S. ownership in insurance service providers operating in WTO Member countries.

Additional Commitments have been made only by a small number of countries. While some Members (Brazil, Japan and European Union for Sweden) used this column to indicate future plans for undertaking further commitments, or progress in regulatory reform, others (European Union, Japan and United States) have entered regulatory principles or guidelines for administrative procedures as a result of the most recent negotiations.

It should be noted that liberalization of financial services trade (and the preparation of an offer to bind them under the GATS) is continuing even after the conclusion of the negotiations, despite the ongoing economic and financial crisis. A number of countries have undertaken measures to liberalize

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<sup>74</sup> Dobson, Wendy and Pierre Jacquet (1998)

<sup>75</sup> For this country, grandfathering is also applied to new entrants during a period of ten years during which foreign equity participation limits in locally incorporated banks are suspended.

<sup>76</sup> Mattoo, Aaditya (1998) contains a summary table of such commitments made by Members.

<sup>77</sup> Including Côte d'Ivoire which does not yet have commitments in financial services, but has entered an MFN Exemption List on 12 December 1997 (S/L/48).

<sup>78</sup> Brunei Darussalam, Colombia, Honduras, Hungary, Indonesia, Israel, Mauritius, Peru, Philippines, Turkey, United Arab Emirates and Venezuela. As a result of the most recent negotiations, Mauritius has limited the scope of its MFN exemption based on reciprocity to services not listed in its Schedule of Specific Commitments. Hungary has limited the applicability of its exemption by removing a discretionary licensing requirement. The Philippines has reduced the scope of its exemption in commercial banking by excluding the expansion of existing operations from the scope, leaving only the establishment of new commercial presence. Venezuela has reduced the scope of its exemption by removing capital market services from the coverage.

the establishment of foreign bank subsidiaries and other financial institutions as part of their economic and financial reform programmes.<sup>79</sup>

### *Issues for Discussion*

How far do current commitments reflect actual access conditions in the financial services sectors of countries? What types of trade restrictions are still common in Members?

Could delegates provide updates on liberalization measures taken in their countries after the conclusion of the most recent negotiations?

## **VI. OTHER SOURCES OF INFORMATION**

A large number of sources of information have been tapped in preparing this note, but given the wealth of information for this sector, it would be possible only to provide a list of the major sources. Notifications made under the GATS are obvious sources of information on regulatory developments, and in particular on economic integration agreements. On trade barriers as perceived by countries, major sources of information for the sector are official reports published by the governments of industrialized countries as well as international organizations. Financial industry associations and organizations in Member countries are also valuable sources of information.

As pointed out in WTO (1997), there is a relative shortage of reliable and detailed data on financial services trade. It was also pointed out that measurement of production and trade in financial services was complex and difficult. The main available sources of data are indicated in the Bibliography below, but there is substantial room for improvement in both the coverage and quality of the data collected.

Table 10 provides a list of Internet Homepages of Central Banks and Finance Ministries or other regulatory agencies which could be identified.<sup>80</sup> All major global financial institutions as well as industry associations publish guides, newsletters or other periodicals on information concerning recent developments in the financial sector and financial markets around the world.<sup>81</sup> A large number of journals, magazines, newspapers, on-line news services and Internet sites specialize in financial services. A number of them are cited in the footnotes to this note and included in the Bibliography below.

### *Issues for Discussion*

Are there any other useful sources of information that delegates are aware of? What types of information are lacking in this sector, which may be required in future negotiations? Are there any other sources for useful data or statistical information?

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<sup>79</sup> Indonesia, the Republic of Korea and Thailand may be examples. Korea has announced its intention to bind improved commitments in financial services after the conclusion of the negotiations. Côte d'Ivoire is preparing to submit an offer in financial services for the first time.

<sup>80</sup>In several Members, regulatory authority lies with sub-federal governmental agencies. In such cases, sources of information at the national or federal level are indicated regardless of their status as regulatory bodies. This list is incomplete, and will be updated as new sites are identified.

<sup>81</sup> There is no complete list of such publications, but one example is UBS (1997). Also see, for example, *Economics for Investment*, American Express Bank Ltd., November 1998 and other issues.

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**Table 1: Share of Employment in Financial Services**  
(In per cent of total employment)

COUNTRY	1970	1980	1985	1990	1995
Canada <sup>a</sup>	2.4	2.7	2.9	3.0	3.2
France <sup>b</sup>	1.8	2.6	2.9	2.8	2.7
Germany (former federal republic)	2.2	2.8	3.0	3.0	3.3
Japan	2.4	3.0	3.2	3.3	3.1
Singapore <sup>c</sup>	--	2.7	--	--	5.0
Switzerland <sup>d</sup>	--	--	4.6	4.8	5.3
United Kingdom	--	3.0	3.5	4.6	4.3
United States <sup>e</sup>	3.8	4.4	4.7	4.8	4.7

Source: OECD, Services: Statistics on Value Added and Employment, 1997; WTO, Opening Markets in Financial Services and the Role of the GATS, 1997.

<sup>a</sup> 1992 instead of 1996.

<sup>b</sup> 1996 instead of 1995.

<sup>c</sup> 1978 instead of 1980.

<sup>d</sup> 1994 instead of 1996.

<sup>e</sup> 1994 instead of 1996.

**Table 2: Share of Value-Added in Financial Services**  
(In per cent of GDP)

COUNTRY	1970	1980	1985	1990	1995
Industrialized Countries:					
Canada	2.2	1.8	2.0	2.8	2.5
France <sup>a</sup>	3.7	4.4	4.3	3.5	3.2
Germany <sup>b</sup>	3.2	4.5	5.5	4.8	5.5
Japan <sup>c</sup>	4.3	4.5	5.5	4.8	5.2
Switzerland <sup>d</sup>	--	--	10.4	10.3	13.3
United States <sup>e</sup>	4.0	4.8	5.5	6.6	6.6
Developing Countries:					
Colombia <sup>f</sup>	--	--	--	2.9	2.9
Ghana <sup>g</sup>	5.5	--	8.7	9.2	--
Hong Kong (China)	--	6.9	6.1	6.6	9.4
Mauritius <sup>h</sup>	--	--	--	4.4	5.2
Singapore <sup>i</sup>	--	5.0	--	--	12.0
Sri Lanka <sup>j</sup>	--	--	--	4.6	6.8
Thailand <sup>k9</sup>	--	--	--	4.0	7.8

Source: OECD, Services: Statistics on Value Added and Employment, 1997; WTO, Opening Markets in Financial Services and the Role of the GATS, 1997.

<sup>a</sup> 1996 instead of 1995; Excludes services auxiliary to finance and insurance.

<sup>b</sup> Figures until 1990 refer to the former Federal Republic of Germany.

<sup>c</sup> Figure for 1995 excludes insurance services.

<sup>d</sup> 1993 instead of 1995.

<sup>e</sup> 1994 instead of 1995.

<sup>f</sup> 1992 instead of 1990; 1994 instead of 1995.

<sup>g</sup> 1971 instead of 1970; 1983 instead of 1985; includes business services.

<sup>h</sup> 1987 and 1993 respectively; includes business services.

<sup>i</sup> 1978 instead of 1980.

<sup>j</sup> 1994 instead of 1995; includes real estate services.

<sup>k</sup> Excludes insurance services.

**Table 3: Insurance Premiums as Percentages of GDP**  
(Direct gross premiums)

Country	1995			1996		
	Life	Non-life	Total	Life	Non-life	Total
Luxembourg	21	2.9	23.9	18.1	3.2	21.3
Korea	9.6	2.9	12.5	9.5	3.3	12.8
United Kingdom <sup>2</sup>	6.6	4.6	11.2	7.5	4.6	12.1
Switzerland	6.7	3.7	10.4	7.5	3.7	11.2
United States	3.9	6.1	10	4	5.9	9.9
Ireland	4.6	3.8	8.5	5.4	3.9	9.3
Netherlands <sup>2</sup>	1.3	3.8	8.3	5	4.2	9.2
France	5.5	3.1	8.6	6	3.1	9.1
Japan	6.4	2.2	8.6	5.9	2.2	8.1
Australia <sup>1</sup>	4.4	3.5	7.9	4.1	3.6	7.7
Germany	2.7	3.9	6.6	2.8	3.9	6.7
Denmark	3.3	2.6	6	3.9	2.6	6.5
Austria	2	3.5	5.5	2.7	3.5	6.2
Sweden	3.3	2.2	5.5	3.6	2.1	5.7
Belgium	2.3	3.1	5.4	2.5	3	5.5
Portugal	2.1	2.7	4.8	2.5	2.8	5.3
Spain	2	2.8	4.8	2.2	2.8	5
Canada	2.8	2	4.8	1.8	2.8	4.6
Norway	2	2.6	4.6	1.9	2.5	4.4
Finland	1.3	2.1	3.4	2.1	2	4.1
Italy	1.3	2.2	3.5	1.4	2.2	3.6
Iceland	0.1	2.9	3	0.1	2.8	2.9
Czech Republic	0.8	2	2.7	0.7	2	2.7
New Zealand <sup>2</sup>	1.1	1.6	2.7	1.4	1.2	2.6
Hungary	0.7	1.7	2.4	0.7	1.6	2.3
Poland <sup>3</sup>	0.5	1.4	2	0.7	1.6	2.3
Greece <sup>2</sup>	0.8	0.8	1.7	0.8	0.9	1.7
Mexico	0.5	0.9	1.3	0.4	0.8	1.2
Turkey	0.1	0.7	0.8	0.1	0.7	0.8
OECD	4.4	3.8	8.2	4.3	3.8	8.1
EU15	3.6	3.3	6.9	3.9	3.3	7.2

Source: OECD, Insurance Statistics Yearbook, 1998.

<sup>1</sup> Net written premiums basis.<sup>2</sup> Net written premiums basis for 1995.<sup>3</sup> Total gross premiums basis.

**Table 4: Cross-border Trade in Financial Services - Receipts and Expenditure**

(Billions of US dollars)

COUNTRY	1985	1990	1995	1996
<b>Receipts (Exports)</b>				
Austria	0.3	0.7	2.5	3.1
Belgium-Luxembourg	0.6	4.9	5.1	5.2
France	...	11.1	17.4	8.1
Germany	0.3	4.5	3.7	6.0
Japan	0.0	0.1	0.6	3.3
Singapore	0.1	0.1	0.4	0.5
Switzerland	1.8	4.2	6.9	7.7
United Kingdom <sup>2</sup>	7.3	6.1	9.1	8.9
United States	3.0	5.0	8.4	10.2
<b>Expenditure (Imports)</b>				
Austria	0.3	0.6	3.1	3.5
Belgium-Luxembourg	0.6	3.8	3.6	3.7
France	...	11.4	16.4	8.2
Germany	0.2	4.8	2.0	3.3
Japan	0.5	1.4	3.0	4.9
Singapore	0.1	0.8	1.0	1.0
Switzerland	0.1	0.2	0.2	0.2
United Kingdom <sup>a</sup>	0.4	0.7	0.7	0.8
United States	2.5	4.4	7.8	7.6

Source: IMF, Balance-of-payments Statistics Yearbook, Part I, 1997; WTO, Opening Markets in Financial Services and the Role of the GATS, 1997.

<sup>a</sup> 1986 instead of 1985.

**Table 5: Financial Services: US, Canada and EU Cross-Border Exports, Imports and Trade Balance, 1993-96**

(Billions of US dollars)

Year	United States			Canada			European Union <sup>a</sup>		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance <sup>b</sup>
<b>1997</b>									
Insurance	2.6	4.8	-2.2	..	..	..	..	..	..
Other Financial Services	10.1	4.1	6	..	..	..	..	..	..
<i>Total Trade Balance</i>			<b>3.8</b>						
<b>1996</b>									
Insurance	2.1	4.4	-2.3	4	4.6	-0.6	..	..	..
Other Financial Services	8	3.2	4.8	1.3	1.8	-0.5	..	..	..
<i>Total Trade Balance</i>			<b>2.5</b>			<b>-1.1</b>			
<b>1995</b>									
Insurance	1.4	5.4	-4	3.7	4.4	-0.7	10.5	7.5	1.4
Other Financial Services	7	2.5	4.5	1.1	1.5	-0.4	12.2	8.2	7.5
<i>Total Trade Balance</i>			<b>0.5</b>			<b>-1.1</b>			<b>8.9</b>
<b>1994</b>									
Insurance	1.7	4	-2.3	3.4	4	-0.6	9.8	6.8	1.92
Other Financial Services	5.8	1.7	4.1	1.1	1.6	-0.5	11.8	8.4	6.6
<i>Total Trade Balance</i>			<b>1.8</b>			<b>-1.1</b>			<b>8.5</b>
<b>1993</b>									
Insurance	1	3.1	-2.1	2.8	3.1	-0.3	8.6	6.7	0.4
Other Financial Services	5	1.4	3.6	0.9	1.3	-0.4	10	6.8	6.5
<i>Total Trade Balance</i>			<b>1.5</b>			<b>-0.7</b>			<b>6.9</b>

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, Sept. 1993, Sept. 1995, Nov. 1996 and Oct. 1997 issues;  
Eurostat, *International Trade in Services EU*, 1986-95, 1997;  
Statistics Canada, *Canada's International Trade in Services*, 1996.

<sup>a</sup>Data converted from ECU to US\$.

<sup>b</sup>Net balance of EU15 trade with the world. The figures do not correspond to the calculated differences between exports and imports, due to asymmetries in the data for intra-EU trade.

.. Data not available.

**Table 6: Financial Services Transactions<sup>a</sup> by Majority-Owned Affiliates: U.S. Sales, Purchases and Balance**

(Billions of US dollars)

<b>1995</b>	<b>Sales</b>	<b>Purchases</b>	<b>Balance</b>
Insurance	35	57	-22
Other Financial Services <sup>b</sup>	13.6	6.8	6.8
<i>Total Trade Balance</i>	..	..	<b>-15.2</b>
<b>1994</b>			
Insurance	31.5	48.8	-17.3
Other Financial Services <sup>b</sup>	..	6.3	..
<i>Total Trade Balance</i>			
<b>1993</b>			
Insurance	27.6	44.3	-16.7
Other Financial Services <sup>b</sup>	..	6.2	..
<i>Total Trade Balance</i>			
<b>1992</b>			
Insurance	25.3	26	-0.7
Other Financial Services <sup>b</sup>	..	5.3	..
<i>Total Trade Balance</i>			
<b>1991</b>			
Insurance	..	..	..
Other Financial Services <sup>b</sup>	4.9	5	-0.1
<i>Total Trade Balance</i>			

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, Sept. 1993, Sept. 1995, Nov. 1996 and Oct. 1997 issues.

<sup>a</sup> Affiliate transactions entail *sales* by foreign affiliates of US firms and *purchases* from US affiliates of foreign firms.

<sup>b</sup> Banking (other than deposit-taking and lending activities) and Securities services.

.. Data not available

**Table 7A: Selected Indicators of World FDI**  
(Billions of US dollars)

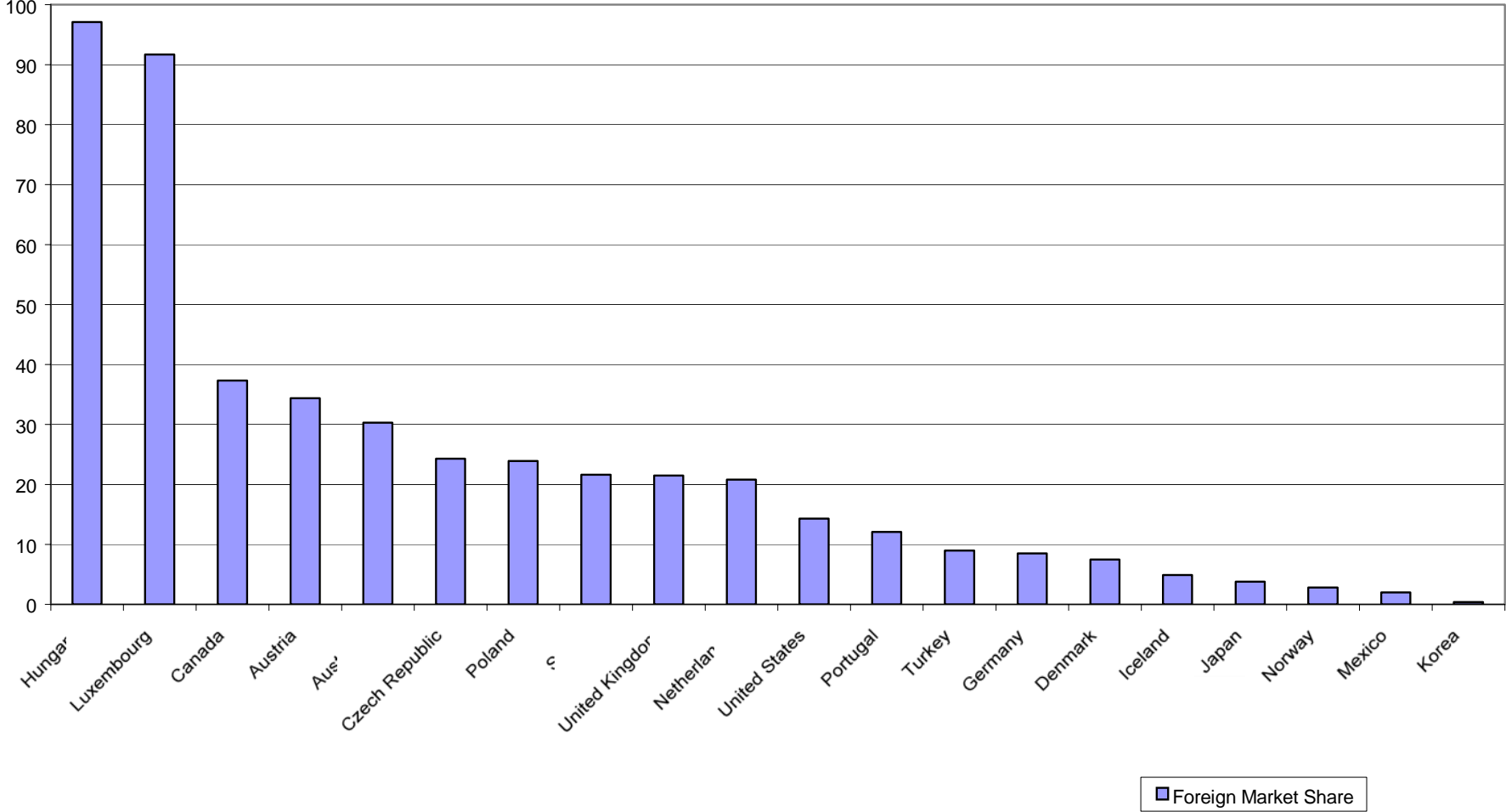
Item	Value at current prices	
	1996	1997
FDI Inflows	338	400
FDI Outflows	333	424

**Table 7B: Regional Distribution of FDI Inflows and Outflows, 1994-1997**  
(In percentage points of world FDI)

Region/Country	Inflows (%)				Outflows (%)			
	1994	1995	1996	1997	1994	1995	1996	1997
Developed countries	58.2	63.9	57.9	58.2	85	86.9	85.1	84.8
Western Europe	32.3	37.1	29.6	28.7	47	49.4	50.6	46.2
US	18.6	17.7	22.6	22.7	25.8	26.1	22.5	27
Japan	0.4	..	0.1	0.8	6.4	6.4	7	6.1
All developing countries	39.3	31.9	38.5	37.2	15	12.9	14.8	14.4

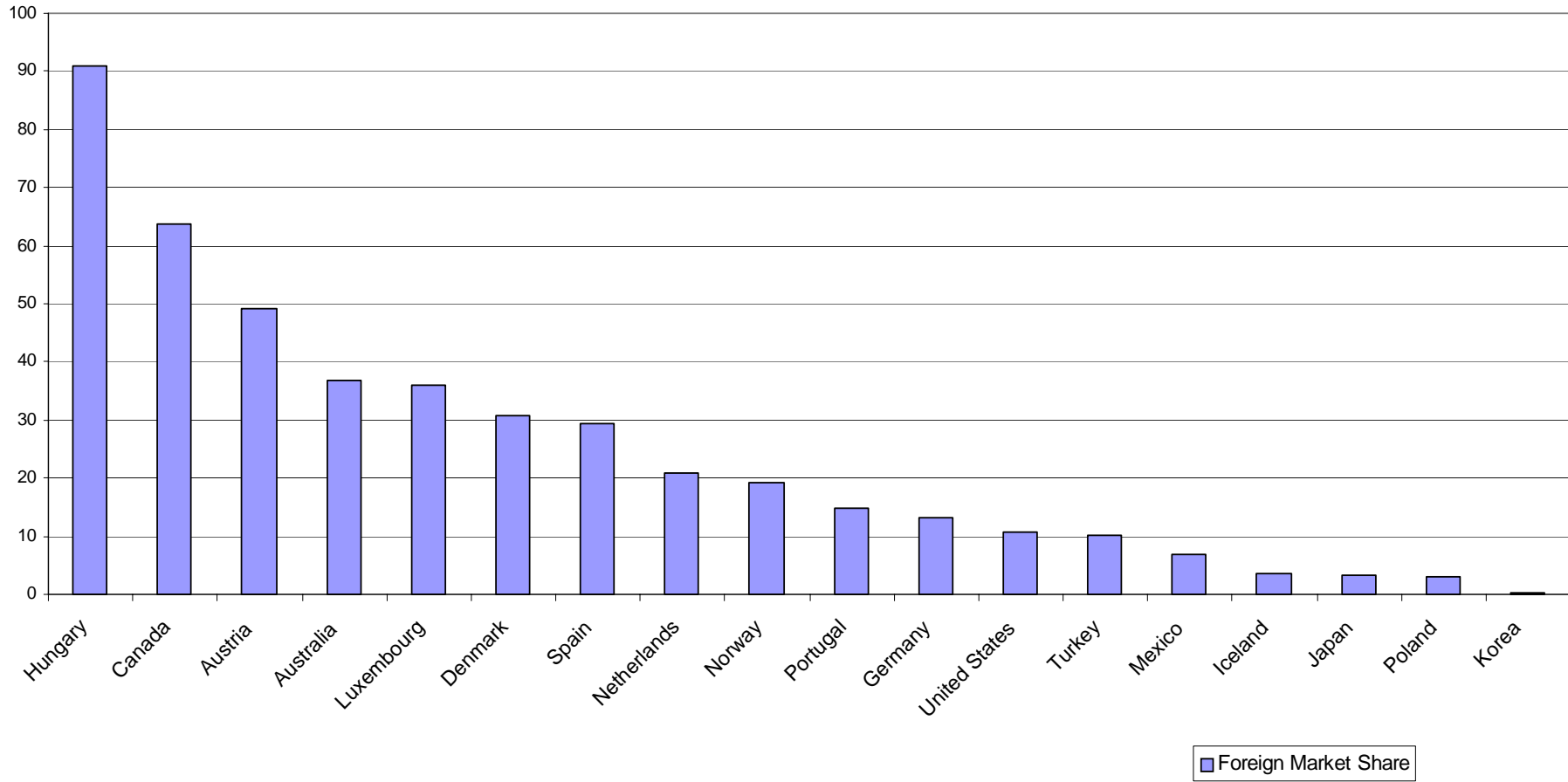
Source: *Financial Times*, 11 November 1998. Data from *World Investment Report 1998 Trends and Determinants*, UNCTAD, 1998.

Chart 1a: Foreign Market Share in Life Insurance Services, OECD Countries, 1996



Source: OECD (1998), Insurance Statistics Yearbook

Chart 1b: Foreign Market Share in Non-Life Insurance Services, OECD Countries, 1996



Source: OECD (1998), Insurance Statistics Yearbook

**Table 8: Number of Banking Entities from 61 Developing and Transition Economies in Selected OECD Host Countries, 1996**

Host country	Number of foreign banking entities		Foreign banking entities per home economy
United States	171	34	5
United Kingdom	153	46	3.3
France	46	25	1.8
Germany	36	19	1.9
Japan	35	11	3.2
Luxembourg	16	8	2
Netherlands	14	8	1.8
Switzerland	12	8	1.5
Belgium	9	6	1.5
Australia	9	5	1.8
Austria	7	7	1
Spain	7	5	1.4
Italy	5	5	1
Greece	3	3	1
Other <sup>a</sup>	1	1	1

Source: UNCTAD (1998), *World Investment Report 1998: Trends and Determinants*, 1998.

<sup>a</sup> Within this category, Portugal has one branch from Brazil; while Denmark, Finland, Ireland and Sweden have no entities at all.

**Table 9: Financial Services: Summary of Specific Commitments**

Countries	Insurance				Banking				Securities		Other	
	Life	Non life	Reinsu- rance	Interme- diation	Deposits	Lending	Trading in For. Ex.	Trading in derivatives	Trading in Securities	Under- writing	Asset management	Financial Information
Angola					X	X						
Antigua and Barbuda			X									
Argentina	X	X	X		X	X	X	X	X	X	X	X
Australia	X	X	X	X	X	X	X	X	X	X	X	X
Austria	X	X	X	X	X	X	X	X	X	X	X	X
Bahrain	X	X	X	X	X	X	X	X	X	X	X	X
Barbados			X									
Benin					X	X						
Bolivia	X	X	X	X	X	X			X	X	X	
Brazil	X	X	X		X	X	X	X	X	X	X	
Brunei Darussalam	X	X	X	X								X
Bulgaria	X	X	X	X	X	X			X	X	X	X
Canada	X	X	X	X	X	X	X	X	X	X	X	X
Chile	X	X	X		X	X			X	X	X	
Colombia		X	X	X	X	X	X	X	X	X		X
Costa Rica					X	X						X
Cuba	X	X	X	X	X	X	X	X	X	X	X	X
Cyprus	X	X	X		X	X	X		X			
Czech Republic	X	X	X	X	X	X	X		X	X	X	X
Dominica			X									
Dominican Republic	X	X	X	X	X	X				X	X	
Ecuador	X	X	X	X	X	X	X	X	X		X	X
Egypt	X	X	X	X	X	X	X		X	X	X	
El Salvador					X	X	X		X	X		
European Community	X	X	X	X	X	X	X	X	X	X	X	X
Finland	X	X	X	X	X	X	X	X	X	X	X	X
Gabon	X	X	X	X		X			X		X	X
Gambia	X	X			X	X	X	X	X	X	X	X
Ghana	X	X	X		X	X	X	X	X	X	X	X

Countries	Insurance				Banking				Securities		Other	
	Life	Non life	Reinsu- rance	Interme- diation	Deposits	Lending	Trading in For. Ex.	Trading in derivatives	Trading in Securities	Under- writing	Asset management	Financial Information
Grenada			X									
Guatemala			X									X
Guyana	X	X		X	X	X						
Haiti			X		X	X	X		X			
Honduras	X	X	X		X	X						X
Hong Kong	X	X	X	X	X	X	X	X	X	X	X	X
Hungary	X	X	X	X	X	X	X	X	X	X	X	X
Iceland	X	X	X	X	X	X	X	X	X	X	X	X
India		X	X	X	X	X	X		X	X	X	
Indonesia	X	X	X	X	X	X	X		X	X	X	
Israel	X	X	X	X	X	X	X		X	X	X	X
Jamaica	X	X	X	X	X	X						X
Japan	X	X	X	X	X	X	X	X	X	X	X	X
Kenya	X	X	X	X	X	X				X	X	
Korea RP	X	X	X	X	X	X	X		X	X	X	
Kuwait					X	X	X	X	X	X	X	X
Kyrgyz Republic	X	X	X	X	X	X	X	X	X	X	X	X
Latvia	X	X	X	X	X	X	X	X	X	X	X	X
Lesotho	X	X	X		X	X	X	X				
Liechtenstein	X	X	X	X	X	X	X	X	X	X	X	X
Macau	X	X	X	X	X	X	X	X	X	X	X	X
Malawi					X	X	X	X	X	X	X	X
Malaysia	X	X	X	X	X	X	X	X	X	X	X	
Malta	X	X	X	X	X	X						X
Mauritius	X	X	X	X	X	X	X		X	X		X
Mexico	X	X	X	X	X	X	X		X	X	X	
Mongolia	X	X	X		X	X	X	X	X	X	X	X
Morocco	X	X	X		X	X			X	X		X
Mozambique					X	X	X	X	X	X	X	X
New Zealand	X	X	X	X	X	X	X	X	X	X	X	X
Nicaragua	X	X	X	X	X	X	X					
Nigeria	X	X	X	X	X	X	X		X		X	X
Norway	X	X	X	X	X	X	X	X	X	X	X	X
Pakistan	X	X	X		X	X	X		X	X	X	X

Countries	Insurance				Banking				Securities		Other	
	Life	Non life	Reinsu- rance	Interme- diation	Deposits	Lending	Trading in For. Ex.	Trading in derivatives	Trading in Securities	Under- writing	Asset management	Financial Information
Panama	X	X	X		X	X	X	X	X	X	X	X
Papua New Guinea					X	X	X		X			
Paraguay	X	X	X		X	X						
Peru	X	X	X		X	X	X	X	X	X	X	X
Philippines	X	X	X	X	X	X	X	X	X	X	X	X
Poland	X	X	X	X	X	X			X	X	X	X
Qatar		X	X	X	X	X	X	X	X			
Romania	X	X	X	X	X	X			X	X	X	X
Santa Lucia			X									
Saint Vinc. & Gren.			X									
Senegal	X	X	X	X	X	X						
Sierra Leone	X	X	X	X	X	X	X	X	X	X	X	X
Singapore	X	X	X	X	X	X	X	X	X	X	X	X
Slovak Republic	X	X	X	X	X	X	X		X	X	X	X
Slovenia	X	X	X	X	X	X	X	X	X	X	X	X
Solomon Islands	X	X	X	X	X	X	X	X	X	X	X	X
South Africa	X	X	X	X	X	X	X	X	X	X	X	X
Sri Lanka	X	X	X		X	X	X	X	X	X	X	X
Sweden	X	X	X	X	X	X	X	X	X	X	X	X
Switzerland	X	X	X	X	X	X	X	X	X	X	X	X
Thailand	X	X		X	X	X	X		X	X	X	X
Trinidad & Tobago			X									
Tunisia	X	X	X	X	X	X			X	X	X	
Turkey	X	X	X	X	X	X	X	X	X	X	X	X
United Arab Emirates					X	X	X	X	X	X	X	X
Uruguay		X			X	X						
USA	X	X	X	X	X	X	X	X	X	X	X	X
Venezuela	X	X	X	X	X	X	X		X		X	
Zimbabwe					X	X				X	X	
Total	69	73	78	57	82	83	62	44	68	63	63	58

**Table 10: Web-site Addresses for Central Banks, Finance Ministries and Other Regulatory Agencies and International Organizations**

Country	Central Bank Web Addresses	Finance Ministries and Other Regulatory Agencies
Argentina	<a href="http://www.bcra.gov.ar">www.bcra.gov.ar</a>	<a href="http://www.mecon.ar">www.mecon.ar</a>
Australia	<a href="http://www.rba.gov.au">www.rba.gov.au</a>	<a href="http://www.dofa.gov.au">www.dofa.gov.au</a>
Austria	<a href="http://www.oenb.co.at">www.oenb.co.at</a>	
Bahrain	<a href="http://www.bma.gov.bh">www.bma.gov.bh</a>	
Belgium	<a href="http://www.bnb.be">www.bnb.be</a>	
Bolivia	<a href="http://www.bcb.gov.bo">www.bcb.gov.bo</a>	
Brazil	<a href="http://www.bcb.gov.br">www.bcb.gov.br</a>	<a href="http://www.fazenda.gov.br">www.fazenda.gov.br</a>
Canada	<a href="http://www.bank-banque-canada.ca">www.bank-banque-canada.ca</a>	<a href="http://www.fin.gc.ca">www.fin.gc.ca</a>
Chile	<a href="http://www.bcentral.cl">www.bcentral.cl</a>	
Colombia	<a href="http://www.banrep.gov.co">www.banrep.gov.co</a>	
Costa Rica	<a href="http://www.bccr.fi.cr">www.bccr.fi.cr</a>	
Cyprus	<a href="http://www.centralbank.gov.cy">www.centralbank.gov.cy</a>	
Czech Republic	<a href="http://www.cnb.cz">www.cnb.cz</a>	
Denmark	<a href="http://www.nationalbanken.dk/uk">www.nationalbanken.dk/uk</a>	<a href="http://www.fm.dk">www.fm.dk</a>
Ecuador	<a href="http://www.bce.fin.ec">www.bce.fin.ec</a>	
El Salvador	<a href="http://www.bcr.gob.sv">www.bcr.gob.sv</a>	
EU (European Central Bank & European Commission)	<a href="http://www.ecb.int">www.ecb.int</a>	<a href="http://www.europa.eu.int">www.europa.eu.int</a>
Finland	<a href="http://www.bof.fi">www.bof.fi</a>	<a href="http://www.vn.fi/vn/vm/svenska/finmin">www.vn.fi/vn/vm/svenska/finmin</a>
France	<a href="http://www.banque-france.fr">www.banque-france.fr</a>	<a href="http://www.finances.gouv.fr">www.finances.gouv.fr</a>
Germany	<a href="http://www.bundesbank.de">www.bundesbank.de</a>	<a href="http://www.bundesfinanzministerium.de">www.bundesfinanzministerium.de</a>
Guatemala	<a href="http://www.banguat.gob.gt">www.banguat.gob.gt</a>	
Hong Kong	<a href="http://www.info.gov.hk/hkma">www.info.gov.hk/hkma</a>	<a href="http://www.info.gov.hk/hkma">www.info.gov.hk/hkma</a>
Hungary	<a href="http://www.mnb.hu">www.mnb.hu</a>	
Iceland	<a href="http://www.sedlabanki.is">www.sedlabanki.is</a>	
India	<a href="http://www.reservebank.com">www.reservebank.com</a>	<a href="http://www.nic.in/finmin/intro.htm">www.nic.in/finmin/intro.htm</a>
Indonesia	<a href="http://www.bi.go.id">www.bi.go.id</a>	
Israel	<a href="http://bankisrael.gov.il">bankisrael.gov.il</a>	<a href="http://www.mof.gov.il">www.mof.gov.il</a>
Italy	<a href="http://www.bancaditalia.it">www.bancaditalia.it</a>	<a href="http://www.finanze.it">www.finanze.it</a>
Jamaica	<a href="http://www.boj.org.jm">www.boj.org.jm</a>	
Japan	<a href="http://www.boj.or.jp">www.boj.or.jp</a>	<a href="http://www.mof.go.jp">www.mof.go.jp</a>
Korea	<a href="http://www.bok.or.kr">www.bok.or.kr</a>	<a href="http://www.mofe.go.kr">www.mofe.go.kr</a>
Latvia	<a href="http://www.bank.lv">www.bank.lv</a>	
Luxembourg	<a href="http://www.bcl.lu">www.bcl.lu</a>	
Malaysia	<a href="http://www.bnm.gov.my">www.bnm.gov.my</a>	<a href="http://www.treasury.gov.my">www.treasury.gov.my</a>
Mauritius	<a href="http://www.bankofmauritius.co.uk">www.bankofmauritius.co.uk</a>	
Mexico	<a href="http://www.banxico.org.mx">www.banxico.org.mx</a>	<a href="http://www.shcp.gob.mx">www.shcp.gob.mx</a>
Netherlands	<a href="http://www.dnb.nl">www.dnb.nl</a>	
New Zealand	<a href="http://www.rbnz.govt.nz">www.rbnz.govt.nz</a>	<a href="http://www.treasury.govt.nz">www.treasury.govt.nz</a>
Nicaragua	<a href="http://www.bcn.gob.ni">www.bcn.gob.ni</a>	
Norway	<a href="http://www.norges-bank.no">www.norges-bank.no</a>	
Peru	<a href="http://www.bcrp.gob.pe">www.bcrp.gob.pe</a>	
Philippines		<a href="http://finlink.mozcom.com">finlink.mozcom.com</a>
Portugal	<a href="http://www.bportugal.pt">www.bportugal.pt</a>	<a href="http://www.pcm.gov.pt">www.pcm.gov.pt</a>
Singapore	<a href="http://www.mas.gov.sg">www.mas.gov.sg</a>	<a href="http://www.gov.sg/mof">www.gov.sg/mof</a>

Country	Central Bank Web Addresses	Finance Ministries and Other Regulatory Agencies
Slovenia	<a href="http://www.bsi.si">www.bsi.si</a>	
South Africa	<a href="http://www.resbank.co.za">www.resbank.co.za</a>	
Spain	<a href="http://www.bde.es">www.bde.es</a>	
Sri Lanka	<a href="http://www.lanka.net/centralbank">www.lanka.net/centralbank</a>	
Sweden	<a href="http://www.riksbank.se">www.riksbank.se</a>	
Switzerland	<a href="http://www.snb.ch">www.snb.ch</a>	<a href="http://www.mof.go.ch">www.mof.go.ch</a>
Tanzania	<a href="http://www.bot-tz.org">www.bot-tz.org</a>	
Thailand	<a href="http://www.bot.or.th">www.bot.or.th</a>	
Tunisia	<a href="http://www.bct.gov.tn">www.bct.gov.tn</a>	
Turkey	<a href="http://www.tcmb.gov.tr">www.tcmb.gov.tr</a>	
United Kingdom	<a href="http://www.bankofengland.co.uk">www.bankofengland.co.uk</a>	<a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>
United States	<a href="http://www.bog.frb.fed.us">www.bog.frb.fed.us</a> <a href="http://www.ny.frb.org">www.ny.frb.org</a>	<a href="http://www.ustr.gov">www.ustr.gov</a> <a href="http://www.naic.org">www.naic.org</a> <a href="http://www.ustreas.gov">www.ustreas.gov</a> <a href="http://www.sec.gov">www.sec.gov</a>
Venezuela	<a href="http://www.bcv.org.ve">www.bcv.org.ve</a>	

International Organization	Web Address
APEC	<a href="http://www.apecsec.org.sg">www.apecsec.org.sg</a>
ASEAN	<a href="http://www.asean.or.id">www.asean.or.id</a> <a href="http://www.aseansec.or">www.aseansec.or</a>
Asian Development Bank	<a href="http://www.asiandevbank.org">www.asiandevbank.org</a>
Bank of International Settlements	<a href="http://www.bis.org">www.bis.org</a>
Caribbean Community	<a href="http://www.caricom.org">www.caricom.org</a>
European Bank for Reconstruction and Development	<a href="http://www.ebrd.com">www.ebrd.com</a>
Inter-American Development Bank	<a href="http://www.idb.org">www.idb.org</a>
International Monetary Fund	<a href="http://www.imf.org">www.imf.org</a>
International Organization of Securities Commissions	<a href="http://www.iosco.org">www.iosco.org</a>
NAFTA	<a href="http://www.nafta.net">www.nafta.net</a>
Organisation of American States (OAS)	<a href="http://www.sice.oas.org">www.sice.oas.org</a>
OECD	<a href="http://www.oecd.org">www.oecd.org</a>
Latin American Economic System (SELA)	<a href="http://www.sela.org">www.sela.org</a>
UNCTAD	<a href="http://www.unctad.org">www.unctad.org</a>
World Trade Organization	<a href="http://www.wto.org">www.wto.org</a>
World Bank	<a href="http://www.worldbank.int">www.worldbank.int</a>