

**Council for Trade in Services
Special Session**

COMMUNICATION FROM CANADA

Review of Progress in Financial Services

The following communication, dated 5 December 2007, from the delegation of Canada as coordinator of a collective request in this sector, is being communicated to Members of the Council for Trade in Services.

I. INTRODUCTION

Pursuant to the Hong Kong Declaration, Annex C paragraph 7, a group of ten Members (Australia, Canada, EC, Japan, the United States, Norway, Chinese Taipei, Ecuador, Hong Kong China, and Korea) co-sponsored a collective request on Financial Services. Panama joined the list of co-sponsors in September 2007. Twenty-one Members received the request in this sector.

The request identified a series of objectives to help WTO Members schedule meaningful commitments in the Financial Services sector. While the objectives of the request do not include removal of MFN exemptions, the co-sponsors were mindful of the separate plurilateral request in respect of MFN which seeks removal, easing or clarification of MFN exemptions.

Six market access clusters and four plurilateral meetings were held between April 2006 and September 2007, in addition to requests for this sector in the bilateral part of the negotiations, during which participants were to provide responses and indications as to how existing commitments and potential offers might relate to this collective request.

The summary below highlights the status of negotiations on the collective request since the Hong Kong Ministerial Conference. The collective request is attached to this report.

Canada is circulating this status report as coordinator of the Financial Services Collective Request. This state of play only represents the general views of the co-sponsors of the request. The co-sponsors appreciate the engagement of recipients and hope that future discussions will allow further progress towards meeting the objectives of the collective request. Canada invites those trading partners to meet again in the next session to clarify or correct any of the following account of the status of this request.

II. OVERALL STATUS

Most recipient Members (with the exception of four or five of the twenty-one) and all co-sponsors participated at the plurilateral meetings. Co-sponsors sought from recipients a clear indication of the extent to which recipients were prepared to make commitments further to the objectives of the collective request. Co-sponsors also responded to questions from recipients who sought clarification of the request and of co-sponsors' commitments as deemed recipient of the request. Co-sponsors responded to all questions directed to them.

Co-sponsors have expressed dissatisfaction with the nature of responses from recipients to date and with the absence of a clear indication of ambition in many responses, several of which have also explicitly ruled out reflecting their current practices.

Of the twenty-one recipients, only one recipient has clearly responded across several of the objectives of the request. One other recipient advised it would respond to one of the objectives of the request. Less than one-third of the recipients advised they would respond, at least in part, to one or more objectives of the request. Two recipients indicated their current offers would not be further improved to respond to the request. Co-sponsors can only conclude, on the basis of the four plurilateral meetings held to date, that the other recipients (not including co-sponsors) are not contemplating making meaningful commitments in response to the request. Co-sponsors meet or almost meet most of the objectives of the collective request. Those co-sponsors that do not fully meet the request have indicated that they will consider doing so.

Regarding certain objectives of the request, the majority of recipients have either indicated they will not use the definitions in GATS Annex on Financial Services or have simply chosen to remain silent. Less than one-third of the recipients have indicated they are considering including commitments in modes 1 and 2 in their next offer. One recipient has indicated it will offer an improvement with respect to mode 3. A few others have indicated they will consider doing so. One recipient has indicated it is prepared to ease or remove a limitation such as a monopoly, numerical quota or economic needs test and mandatory cession.

ATTACHMENT

Collective request in Financial Services

1. The GATS provides a framework under which countries can undertake financial services liberalization while enabling regulators to protect the stability and integrity of the financial system. Improved GATS commitments should include and build upon existing financial services liberalization as appropriate.

2. The following objectives should help WTO Members consider the scheduling of meaningful GATS commitments:

- Definitions: Use the agreed definitions in the GATS Annex on Financial Services for scheduling commitments (see attachment).
- Mode 1: undertake commitments for marine, aviation and transport insurance; reinsurance; insurance intermediation, insurance auxiliary services; financial advisory services and financial information and data processing services.
- Mode 2: undertake commitments for marine, aviation and transport insurance; reinsurance; insurance intermediation, insurance auxiliary services; and all non-insurance financial services (subsectors (v)-(xvi)).
- Modes 1 and 2: there can be advantages of additional liberalization, especially where the consuming agent is sophisticated, for example, an institutional consumer of securities services.
- Mode 3: for all financial services sectors, undertake commitments encompassing rights to establish new and acquire existing companies, in the form of wholly-owned subsidiaries, joint ventures and branches.
- Modes 1, 2 and 3: remove discrimination between domestic and foreign suppliers regarding application of laws and regulations ("national treatment").
- Modes 1, 2 and 3: remove limitations such as monopolies, numerical quotas or economic needs tests and mandatory cessions.
- Transparency in development and application of laws and regulations, transparent and speedy licensing procedures,

Attachment: Definitions:

Insurance and insurance-related services

- (i) Direct insurance (including co-insurance):
 - (A) life
 - (B) non-life
- (ii) Reinsurance and retrocession;
- (iii) Insurance intermediation, such as brokerage and agency;
- (iv) Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

Banking and other financial services (excluding insurance)

- (v) Acceptance of deposits and other repayable funds from the public;
 - (vi) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction;
 - (vii) Financial leasing;
 - (viii) All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts;
 - (ix) Guarantees and commitments;
 - (x) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:
 - (A) money market instruments (including cheques, bills, certificates of deposits);
 - (B) foreign exchange;
 - (C) derivative products including, but not limited to, futures and options;
 - (D) exchange rate and interest rate instruments, including products such as swaps, forward rate agreements;
 - (E) transferable securities;
 - (F) other negotiable instruments and financial assets, including bullion.
 - (xi) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues;
 - (xii) Money broking;
 - (xiii) Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services;
 - (xiv) Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments;
 - (xv) Provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services;
 - (xvi) Advisory, intermediation and other auxiliary financial services on all the activities listed in subparagraphs (v) through (xv), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.
-