



MEDIA RELEASE

Deferral Places OBU Regime on a Better Competitive Footing

30 September 2013

The Australian Financial Markets Association (**AFMA**) welcomes the announcement by the Assistant Treasurer, Senator Arthur Sinodinos, yesterday that the Government will not proceed with the start date of 1 October 2013 for the changes to the Offshore Banking Unit (**OBU**) regime originally announced in the 2013-14 Budget.

Broadly, the announced changes would:

- Prohibit OBUs from dealing with related parties; and
- Prohibit OBUs from dealing with other unrelated OBUs.

AFMA engaged with the Government and Treasury to seek a deferral of the 1 October start date for the OBU changes to enable the new Government time to consider the issues and proposals that have been raised during the current consultation process. AFMA believes that a deferral is necessary to address considerable uncertainty regarding the ambit of the potential law change that is threatening the ongoing viability of the OBU regime for many users.

The industry is concerned that *bona fide* OBU transactions would be adversely affected by the measures originally proposed. The announcement by the Assistant Treasurer is timely and AFMA appreciates the priority accorded to this matter by the Government.

The OBU regime enables financial institutions in Australia to compete for international business with regional financial centres, like Singapore and Hong Kong, which brings both income and employment to Australia. The Johnson Report on Australia as a Financial Centre identified opportunities to improve the competitiveness of Australia's OBU regime and AFMA continues to consult with government regarding the implementation of the Johnson recommendations.

AFMA believes that the consultation process to date has been productive in designing measures that would better target stated integrity concerns and enhance the operation of the regime. The scope that is now available to take this work forward to its conclusion is a good outcome.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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