



MEDIA RELEASE

OBU Reforms Enhance Australia as a Financial Centre

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The Australian Financial Markets Association (AFMA) has welcomed today's introduction into Parliament of reforms to Australia's Offshore Banking Unit (OBU) regime.

The OBU regime is a key pillar of Australia's push to export financial services and allows financial institutions in Australia to compete for internationally mobile financial business with regional financial centres, like Singapore and Hong Kong, which brings income and employment to Australia.

The reforms introduced today, which largely seek to enact the recommendations of the 2010 Johnson Report, will enhance the effectiveness of the OBU regime and resolve a number of legacy issues as to its operation. The expansion of the range of eligible activities and amendments to the methodology to allocate expenses to the OBU are particularly welcome.

AFMA maintains that further reform is necessary to place the OBU regime on a competitive footing with comparable regimes in other jurisdictions. In particular, we have continued to advocate for a more principles-based regime that can respond nimbly to financial market developments and the adoption of a holistic approach to eligibility that ensures that all aspects of a transaction lifecycle can be offered from Australia. Today's initiatives are a solid foundation for future improvement of the regime and we encourage the Government to continue the dialogue with industry to optimise the regime in a manner that both protects revenue integrity and supports the growth of our financial services exports.

Technical Note:

The Australian OBU Regime is designed to attract and retain highly mobile financial sector activities in Australia and encourage offshore transactions between non-residents to be conducted via an Australian institution. Eligible OBU activities are taxed at 10% and interest paid from an OBU is exempt from interest withholding tax.

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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