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Committee on Trade in Financial Services

REPORT OF THE MEETING HELD ON 5 OCTOBER 2016

NOTE BY THE SECRETARIAT[1]

The Committee on Trade in Financial Services held a meeting on 5 October 2016, under the chairmanship of Ms Junko Ueno (Japan). The agenda is contained in Airgram WTO/AIR/CTFS/6. An annotated agenda by the Chairperson was issued prior to the meeting (JOB/SERV/242).

1 ITEM A – REGULATORY ISSUES IN FINANCIAL SERVICES

1.1. The Chairperson recalled that in the context of the Committee's review of recent developments in global financial regulatory reforms and their implications for trade in financial services, the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) had kindly agreed to make a presentation before the Committee on the objectives and purposes of the organization, as well as on the latest developments in its areas of competence.

1.2. She introduced Mr. Andrew Auerbach, Head of the Peer Review Unit at the Global Forum and informed the Committee that Mr. Auerbach's presentation had been circulated as a room document (RD/SERV/134).

1.3. The representative of the Global Forum said that the latter had formed the multilateral framework for the work in the area of transparency and exchange of information that had been carried out by both OECD and non-OECD economies since 2000. The Global Forum had 136 member jurisdictions participating on an equal footing, together with 15 international organisations participating as observers. He explained that the Global Forum had three bodies: the Steering Group, which guided the work of the Forum; the Peer Review Group, which was in charge of reviewing jurisdictions' legal and regulatory frameworks for transparency and exchange of information in tax matters as well as the implementation of the standards in practice; and the Automatic Exchange of Information (AEOI) Group, which carried out the work in relation to the implementation of the new standard on AEOI.

1.4. He further explained that there were two internationally agreed standards on exchange of information for tax purposes. These were the Exchange of Information on Request (EOIR) and the Automatic Exchange of Information (AEOI). The Global Forum ensured that these standards of transparency and exchange of information for tax purposes were in place around the world through its monitoring and peer review activities. In order to ensure worldwide participation in the benefits of increased tax transparency and international co-operation and that developing countries benefitted from the new tax transparent environment, the Global Forum also had a technical assistance programme for its members.

1.5. The standard on EOIR provided for the exchange of tax information, upon request, with safeguards to protect tax payers' rights and confidentiality. The Global Forum Terms of Reference broke down the standard into ten essential elements, divided into three main parts: availability of information; access to information; and exchange of information. The basic premises behind the review, therefore, were that tax information must be available, that tax authorities must have

[1] This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

access to that information, and that there must be a basis for exchange. If any of these elements were missing, information exchange would not be effective.

1.6. In accordance with the peer review methodology, reviews took place in two phases. Phase 1 reviews examined whether the ten elements were in place, while phase 2 reviews looked into the implementation of this framework in practice. All members of the Global Forum, as well as jurisdictions identified by the Global Forum as relevant to its work, were subject to review. The draft peer review reports were discussed and approved by the Peer Review Group, and were finally adopted by all Global Forum members. In cases where areas of weakness had been identified during the reviews, the report included recommendations clearly identifying the improvements to be implemented by the jurisdiction concerned. The jurisdiction could not move to a phase 2 review until it had acted on the recommendations made by the Peer Review Group report. Peer reviews had started in 2010. As of September 2016, 235 reviews had been carried out. After completion of both phases of the review process, each jurisdiction received an overall rating on a 4-tier scale: non-compliant; partially compliant; largely compliant; and compliant. As of September 2016, the Global Forum had finalised phase 1 reviews of 123 jurisdictions and assigned compliance ratings for a total of 101 jurisdictions, after completion of their phase 2 reviews. The overall ratings showed that 22 jurisdictions ware rated "compliant", 67 jurisdictions "largely compliant", and 12 "partially compliant".

1.7. A new round of reviews had started in mid-2016. The objective was to review each jurisdiction in the Global Forum over the next 5 years. This new round of reviews was based on new Terms of Reference, which introduced the requirement that beneficial ownership information be available for EOIR purposes in respect of legal persons and legal arrangements (e.g. trusts). The new Terms of Reference also introduced a reference to the 2012 version of Article 26 of the Model Tax Convention and Commentary, which clarified that requests concerning a group of taxpayers not individually identified (the so-called "group requests") were covered under Article 26 of the Model Tax Convention, so long as the foreseeable relevance was sufficiently demonstrated. Other improvements to the Terms of Reference included the assessment of the completeness and quality of EOI requests and responses. The Global Forum's peer reviews had been a success, having led to improved transparency and exchange of information, as well as increased tax revenues.

1.8. By adopting the standard on Automatic Exchange of Information (AEOI), the Global Forum had taken a decisive step towards tax transparency. The AEOI was the final outcome of a long process that had evolved over the years. Since the adoption of the EU Savings Directive in 2003, the first multinational automatic exchange of information programme, a lot of progress had been made in terms of increasing international co-operation in tax matters and global tax transparency. With the adoption of the Foreign Account Tax Compliance Act (FATCA) by the United States in 2010, and against the background of the global financial crisis, significant political momentum developed for the putting in place of a global automatic exchange standard. In 2012, the five major European countries (France, Germany, Italy, Spain and the United Kingdom) agreed with the United States on a reciprocal exchange of FATCA information under Intergovernmental Agreements (IGAs) concluded between the United States and each of the five countries. At the same time, the international community, led by the G20, showed an increased interest in putting in place a global AEOI standard, which led to a formal request to the OECD to develop a common reporting standard (CRS). In February 2014, the OECD agreed on the text of the CRS, which was followed by a commitment of 44 "early adopter" jurisdictions to implement the CRS, as well as a Ministerial Declaration by OECD members and 14 other jurisdictions to the same end. The CRS was subsequently endorsed by the G20 in September 2014. As of the date of the presentation, 101 Global Forum members were committed to implementing the CRS by 2017 or 2018.

1.9. In addition to translating the CRS into domestic law, a key element of its successful implementation was the introduction of an international framework allowing the automatic exchange of CRS information between jurisdictions. Exchange of information between jurisdictions was typically based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the "Multilateral Convention"), to which 103 jurisdictions were parties, and the CRS Multilateral Competent Authority Agreement (MCAA), which operationalized the automatic exchange of information under the CRS on the basis of the Multilateral Convention. Eighty four jurisdictions had signed the MCAA as of the date of the presentation.

1.10. The Global Forum representative further explained that the implementation of the AEOI standard implied the exchange of significant amounts of data, and might have a great impact on the work of tax authorities. For this reason, the Global Forum's push for increased transparency and international data exchange was accompanied by technical assistance. The main pillars of the Global Forum's support were the following: 1) technical assistance and training, aimed at creating awareness of the importance of exchange of information for domestic resource mobilization, helping members prepare for peer reviews, providing advise on implementing an effective framework for exchange of information, and building capacity for information exchange and its use; and 2) competent authority meetings, so as to facilitate communication, build relationships and improve cooperation.

1.11. In concluding his presentation, the Global Forum representative said that transparency had come a long way in recent years. An increasing number of jurisdictions (currently over 100) had committed to the automatic exchange of tax information. He said that this would change the arithmetic of international tax evasion forever, as the difficulty and costs of concealing money offshore would increase enormously. All these changes led to the enlargement of the Global Forum Secretariat, currently consisting of about 30 staff, and to the intensification of peer reviews, technical assistance missions, and meetings. Over the last few years, a significant number of jurisdictions had moved up in the peer review rating scale, demonstrating the power of the peer review process and the determination of the jurisdictions concerned to act swiftly to address deficiencies in their laws and practices. Developing countries (which constituted more than half of the Global Forum's membership) must be fully engaged in this work if exchange of tax information was to have worldwide reach. Avoiding tax base erosion was fundamental for the smooth operation of governments and for overall economic development.

1.12. The Chairperson thanked Mr. Auerbach for an interesting and informative presentation. She was impressed by the significant progress made over the years to implement the standards on exchange of tax information, currently involving more than 100 jurisdictions.

1.13. The representative of the Kingdom of Saudi Arabia asked Mr Auerbach if he could elaborate more on the use of defensive measures against non-compliant jurisdictions.

1.14. The representative of the United States asked about the implications of non-compliance with the standards. Specifically, he asked how enforcement was ensured and what mechanisms were used to ensure compliance.

1.15. The representative of the Global Forum said, in reply to both questions, that the Global Forum was a consensus-based body, charged with monitoring the implementation of the standard. Jurisdictions were rated after completion of both phases of the review process. As he had explained, 12 jurisdictions were partially compliant and 7 had not yet been rated because they could not move to phase 2 of the review. About 17 additional reviews had been completed and were ready for approval at the next meeting of the Global Forum. The Global Forum worked hard with partially-compliant and non-compliant jurisdictions to help them put in place the necessary elements to comply with the standard. Some jurisdictions had been stuck in phase 1 of the review process, and were thus unable to move to phase 2, as the essential elements to implement the standard had not been put in place – e.g. account ownership information was not available to tax authorities; bearer shares were allowed to be issued without appropriate mechanisms to identify the owners of such shares; or agreements for the exchange of information were inexistent. The peer review assessment had proven to be a success. Over the last few years, about 25 jurisdictions had moved from being "non-compliant" to "largely compliant".

1.16. The Global Forum was not an enforcement body, nor did it apply sanctions. The standard itself was soft-law. However, the Multilateral Convention did impose obligations on its signatories, hence providing the basis for the information exchange. It was worth keeping in mind, in his view, that the context had changed over the last decade. While jurisdictions might have tried to gain competitive advantage by allowing for bank secrecy in the past, being non-compliant or partially compliant was no longer perceived as an appropriate way to attract business.

1.17. He then addressed the issue of non-compliance and "so called" defensive measures. Although these measures had been taken by individual jurisdictions, a coordinated approach to defensive measures had not yet been agreed. The latest G20 Leaders' communiqué had asked the

OECD to prepare a list by the July 2017 G20 Leaders' Summit, of those jurisdictions that had not yet sufficiently progressed toward a satisfactory level of implementation of the agreed international standards on tax transparency, and indicated that defensive measures would be considered against listed jurisdictions.

1.18. The representative of the Global Forum said it was quite common for countries to impose defensive measures. Many had established lists of jurisdictions fulfilling specific criteria, such as the availability of information exchange mechanisms. Non-compliance with those criteria would determine the tax consequences of a particular transaction. For example, the absence of an information exchange relationship might lead to higher reporting requirements imposed on the tax payer in order to benefit from specific deductions, or the imposition of a withholding tax that otherwise would not apply, or the treatment of some source of income as non-exempt, where otherwise it would be.

1.19. The Chairperson asked for Mr. Auerbach's views on the key elements and the major challenges faced in conducting effective and efficient technical assistance in this area.

1.20. The representative of the Global Forum replied that perhaps the biggest challenge was the lack of human capital. The Global Forum dealt with a lot of small jurisdictions, with small tax administrations. There was great pressure on those jurisdictions, who had to respond to specific requests for information exchange, prepare for automatic exchange of information, and fill in long questionnaires as part of the Global Forum's monitoring of implementation with the standard. Finding the personnel to carry out these onerous tasks was quite difficult. Training staff and ensuring a stable work force was indeed a challenge for tax administrations. As part of its technical assistance in this area, a secondment programme had been established, allowing staff from developing countries to work for a period of time at the Global Forum Secretariat. The programme provided these developing country professionals with a good opportunity to learn the standard and take that knowledge and experience back to their governments. Another challenge was securing political buy-in from governments and, in particular, national Parliaments, who were responsible for developing and passing legislation.

1.21. The delegation of the European Union sought Mr Auerbach's views on the relationship between trade in financial services and the standards promoted by the Global Forum. The European Union put a lot of value on standards, and trade agreements signed by the EU made reference to the implementation and application of international standards, including those related to exchange of information on tax matters. The reference to international standards was part of the template for financial services negotiations used by the European Union. The European Union had been promoting this approach in other fora and negotiations. Promoting the use of international standards did not only facilitate trade liberalization but also ensured a level playing field. He asked Mr Auerbach for his views on how standards fit into trade policy in financial services.

1.22. The representative of the Global Forum agreed that the implementation of international standards and trade liberalization should go hand-in-hand. Standards benefited the jurisdiction that implemented them: they were an element of a good commercial environment; contributed to a stable tax base; helped ensure the tax system's transparency; and constituted a positive aspect of government policy. The automatic exchange of information for tax purposes brought financial services suppliers into the core of tax administration. While getting bank information was sometimes difficult a decade ago, more recently the expectation was that such information would flow automatically. Banks should be able to put the necessary mechanisms in place. That would be essential for assessing a jurisdiction's compliance with the international standard.

1.23. The representative of Turkey said that the Global Forum was an important initiative in the fight against tax evasion. He asked whether the exchange of banking information was restricted to international operations or whether it should also include persons having no international operations.

1.24. The representative of the Global Forum replied that the standard did not require tax administrations to exchange information on all clients of their local banks. Under the standard, jurisdictions obtained information on non-resident bank account holders from their financial institutions and automatically exchanged that information with other jurisdictions on an annual

basis. Reportable accounts included those held by individuals and entities (including trusts and foundations). The standard contained extensive rules on the types of account subject to reporting (based for example on *de minimis* thresholds), as well as on how to deal with bank accounts held through legal entities. The actual beneficial owners of the account must be identified.

1.25. The representative of Argentina asked whether the Judicial Powers of the different jurisdictions were involved in this exchange of information, or whether the exchange of information was only among tax authorities.

1.26. The representative of the Global Forum said that the competent authorities involved in the exchange of information were the national tax administrations.

1.27. In concluding this discussion, the Chairperson thanked Mr. Auerbach, and through him, the Global Forum Secretariat, for participating in this meeting of the Committee. Mr Auerbach's presentation was very informative, and stimulated an interesting discussion. It was not her intention to provide a full summary of the discussion. All views would be reflected in the report of the meeting. She nonetheless considered that the presentation, and the subsequent discussion, helped Members better understand how these standards fit within the overall context, how they related to trade policy in financial services, and how important international cooperation was for the successful implementation of international standards.

1.28. The Chairperson then turned to another standards-related matter. She recalled that shortly before the previous meeting, the Secretariat issued a report on recent developments in international standard-setting (document S/FIN/W/90). The purpose of the Note was to provide an overview of standard-setting activities by the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), and the International Organization of Securities Commissions (IOSCO) over the last two years. That Note focused on the development of standards by these four standards-setting agencies included in the compendium kept by the Financial Stability Board. It updated the information provided by representatives of these four international standard-setting bodies at the meeting of the Committee on 6 May 2014. In addition, as requested at the last meeting, an addendum was issued to cover standard-setting activity by the Islamic Financial Services Board since the presentation made by this agency last year (document S/FIN/W/90/Add.1). Both the Note and its addendum provided a brief description of the standards based on publicly available information, and, when relevant, highlighted specific trade-related aspects.

1.29. She also drew Members' attention to the agenda item on future work and timing of the next meeting. Her intention, as explained in the annotated agenda, was to discuss any future work that Members might wish to undertake under each agenda item. In that regard, she suggested that, in commenting on the Notes by the Secretariat, delegations also provided their views on how to take the work on regulatory issues forward. In her view, the Notes by the Secretariat would help Members focus on relevant trade-related aspects. Different options for future work under this agenda item were available. One option would be to invite the standard-setting bodies mentioned in the Notes to make presentations to the Committee. Another option would be to extend the analysis to other standard-setting bodies whose work was also relevant for this Committee, such as the Committee on Payments and Market Infrastructures (CPMI) and the Committee on the Global Financial System (CGFS). Additionally, of course, the Committee could address specific regulatory issues raised by any Member. These potential avenues for future work were not mutually exclusive.

1.30. The representative of the Kingdom of Bahrain thanked the Secretariat for its efforts in preparing the Notes. The inclusion of the work carried out lately by the Islamic Financial Services Board provided a more comprehensive view of recent developments in international standard-setting.

1.31. The representative of Chinese Taipei also thanked the Secretariat for the Notes on recent developments in international standard-setting. She then shared information on Chinese Taipei's initiatives to harmonize its regulations with international standards. Chinese Taipei adopted some of the guidelines issued by the BCBS that were mentioned in the Note by the Secretariat, such as the Revised Pillar 3 Disclosure Requirements (January 2015), the revisions to the securitization framework (December 2014), Basel III net stable funding ratio (October 2014), and the net stable

funding ratio disclosure standards (June 2015). She said the government was planning to follow the timeline for implementation suggested by the BCBS. Chinese Taipei was also an original member of the IAIS, and always referred to the IAIS guidelines and principles when reviewing or drafting regulations. The survey conducted by the IAIS on compliance with the Insurance Core Principles gave quite a good rating to Chinese Taipei. Chinese Taipei was also a member of IOSCO, and of its subsidiary committees, including the Committee on Issuer Accounting, Auditing and Disclosure and the Committee on Credit Rating Agencies. Chinese Taipei had close cooperation with IOSCO. Such cooperation had strengthened Chinese Taipei's supervision of cross-border transactions and had facilitated the exchange of information. Regarding future work by the Committee, she welcomed the proposal made by the Chairperson to continue with the practice of inviting experts from international standard-setting bodies to share information on developments in their respective areas of competence.

1.32. The representative of Canada thanked the Secretariat for keeping the Committee apprised of relevant developments in international standard setting, including the focus on trade-related aspects. Canada had long been a supporter of better coherence between the WTO and other international institutions and standard setters such as the IMF and the World Bank, as long as the mandate and decision-making processes of these institutions were respected. In terms of future updates to the Committee, Canada said that perhaps it would be useful to hear about work being undertaken with international institutions and standard-setting bodies that was relevant to the WTO and, more specifically, to this Committee. Canada would therefore be supportive of receiving regular updates from the Secretariat regarding its cooperation and collaboration with other international institutions and standard-setting bodies as it related to trade in financial services. This could include, for example, updates about any joint papers or projects to which the Secretariat contributed, as well as meetings and activities of other international institutions and standard setting bodies in which the Secretariat participated.

1.33. The Committee took note of the statements made and decided to revert to this agenda item at the next meeting.

2 ITEM B - TRADE IN FINANCIAL SERVICES AND DEVELOPMENT

2.1. The Chairperson recalled that shortly before the previous meeting, the Secretariat issued a Background Note on Barriers to Financial Inclusion and Trade in Services (S/FIN/W/88/Add.1). The Note was an addendum to the Background Note on Financial Inclusion and the GATS (S/FIN/W/88). The addendum discussed the barriers to financial inclusion, and the role that trade and trade policy in financial services might play in overcoming them. Before opening the floor for discussion, she offered the floor to the Secretariat to elaborate on the contents of the Note.

2.2. A representative of the Secretariat said that the Note consisted of three sections. The first section was devoted to a discussion of the barriers to financial inclusion generally identified by the literature. These barriers were of a very diverse nature, and arose from demand factors, supply factors, inadequate regulatory frameworks, institutional weaknesses, and deficient infrastructure. The second section focused on the role that trade in services might play in overcoming those barriers and advancing financial inclusion. He highlighted three aspects. Firstly, financial inclusion was not just about access to credit, but also about access to many other financial services, such as deposit-taking, payment and money transmission, and insurance. Secondly, financial inclusion required the interplay of many other services and service suppliers, such as mobile network operators, payment aggregators, credit bureaus, and collateral registries. In fact, the advancement of financial inclusion required the development of an "ecosystem", that is, a community of multiple providers of services interacting through different business models with the fundamental objective of bringing necessary financial services to the financially excluded. Thirdly, this "ecosystem" provided an opportunity for the expansion of trade in many different services, such as deposit-taking, lending, payment and money transmission, credit reference and analysis, financial intermediation and advice, insurance, telecommunications and ICT-related services. At the same time, in allowing the deployment of these "ecosystems" not only within national boundaries but also across borders, trade in services might significantly contribute to financial inclusion and development. The third section of the Note looked into the role played by trade policy in services in complementing, and contributing to, financial inclusion initiatives. Trade policy in services was about reducing barriers to entry and competition, ensuring a level playing field among market participants, guaranteeing transparency of regulations and policies, and fostering diversity of products and services. The discussion on financial inclusion was closely related to two

other issues of increasing interest among Members, namely e-commerce and the situation of Small- and Medium-Sized Enterprises (SMEs). Indeed, most of the successful financial inclusion initiatives had been based on digital solutions and various forms of digital trade. Financial inclusion was also about ensuring SMEs' access to financial services. These aspects were illustrated by the case studies contained in the Note, which discussed *inter alia* branchless banking in Pakistan and Senegal, mobile payments in Rwanda and South Africa, payment banks in India, mobile financial services in Africa and the Middle-East, and mobile cross-border remittance services in Africa.

2.3. Before opening the floor for discussion, the Chairperson suggested that in commenting on the Note, delegations also provided their views on how to take this issue forward. In her view, and as highlighted by the Secretariat, the issue of financial inclusion was closely related to two other issues of increasing interest among Members, namely the situation of SMEs and e-commerce. The Notes by the Secretariat had already discussed national financial inclusion strategies and policies pursued, the main barriers to financial inclusion, and the most frequent policies and regulations adopted by governments with a view to promoting financial inclusion (including in particular branchless and mobile banking models). The Notes had also discussed the compatibility of different policies and regulations with GATS provisions, providing some guidance as to how financial inclusion might be promoted in a GATS-consistent manner. Finally, the addendum had shown, through various case studies, how trade in services might contribute to furthering financial inclusion. In her view, one option for future work would be to build on these Notes, in particular on section 4 of the Addendum, and further consider how trade policy and regulation might be improved so as to better contribute to financial inclusion.

2.4. The representative of Ecuador said that the Note presented a very accurate description of the barriers faced by users in accessing an account in a financial institution, of the obstacles that affected the supply and demand of financial services, and of the impediments arising from regulatory frameworks. He took the opportunity to report on recent initiatives adopted by competent authorities in Ecuador. As one of its functions, the Monetary and Financial Policy and Regulation Board provided incentives to financial institutions with a view to promoting the creation of products geared towards facilitating the financial inclusion of priority groups, such as people with disabilities, young people, single mothers, and segments of the low-income population facing barriers in accessing financial services.

2.5. Ecuador's Monetary and Financial Code empowered the Central Bank to promote financial inclusion. In 2014, Ecuador introduced a new electronic payment system, commonly known as digital money. Electronic or digital money did not replace the use of the United States dollar, which was the currency of legal tender in Ecuador. Rather, it was a payment system no different from the electronic wallet system used in other countries. No new money was created – it was, in fact, a cheaper method of storing and transferring already existing money. The electronic payment system was governed by the Monetary and Financial Code, which required that digital money be 100% backed by liquid assets. In other words, for each digital dollar created there must be a physical US dollar deposited in the Central Bank. The money used in the new electronic payment system would be transferable through ATMs, text messages, applications, tablets and websites. He noted, in that regard, that 40% of Ecuadorians lacked banking services, while 90% of the population had a cellular phone or electronic device compatible with the digital money system. This initiative allowed all citizens, irrespective of their economic and social condition, to open a digital money account and have access to financial services.

2.6. The representative of South Africa reiterated the statement she made at the previous meeting. She said that financial inclusion was indeed a core objective for the banking sector in her country. South Africa recognized the importance and relevance of the Note prepared by the Secretariat to the work in the WTO. South Africa duly recognized that trade policy might contribute to financial inclusion in a number of ways. However, it was equally important to recognize the fact that the success of one model in some markets did not necessarily translate into the same success in other markets. A case in point was the discontinuation in South Africa of M-PESA, the mobile money transfer wallet that was referenced in the Note. She clarified, in that regard, that effective from 30 June this year, M-PESA had been discontinued despite achieving phenomenal success in many African countries and beyond, amassing several millions of users. M-PESA proved to be an unsustainable model in South Africa, despite the relative well-developed regulatory environment, the substantially liberalized economy, and the enabling environment to entry and competition. In her view, there was no one-size-fits-all approach to financial inclusion. She finally said that her

authorities were still making a technical assessment of the Note, which her delegation would provide at the next meeting.

2.7. The representative of Canada reminded Members that he had offered some preliminary views at the previous meeting. He thanked the Secretariat for the Note and for retaining the trade policy perspective. Going forward, he considered that the Note remained a useful reference for both trade negotiators and domestic policy makers looking to inform their financial inclusion and development policies. While trade in services was no panacea for financial exclusion, governments must ensure that appropriate regulatory frameworks and financial infrastructures were in place. In his delegation's view, the Note made it clear that trade policy could contribute to financial inclusion.

2.8. The representative of India reiterated the statement she made at the previous meeting. As mentioned in the Note, financial inclusion was a complex and multi-dimensional issue. Financial inclusion was a process of ensuring access to appropriate financial products and services needed by vulnerable groups, such as those with low income, at an affordable cost in a fair and transparent manner by mainstream institutional players. India had, for a long time, recognized the social and economic imperative for broader financial inclusion, and had implemented new innovative methods to empower the poor, including the nationalization of banks, priority sector-lending requirements for banks, establishment of regional rural banks, and initiatives such as the "service area approach", and the "self-help group-bank linkage program". In view of the financial infrastructure available in India, the government adopted a bank-led model for financial inclusion whereby, leveraging on technology, banking services were provided using hand-held devices such as point-of-sale machines, mobile phones, etc. Other players, such as mobile companies, were allowed to partner with banks in offering services collaboratively.

2.9. The importance of inclusive financial systems was widely recognized in policy circles and had become a policy priority in many countries. India looked at the Note by the Secretariat from this perspective. It was India's understanding that the Note looked into barriers to financial inclusion from a trade perspective, exploring the role that trade and trade policy in financial services played in overcoming such barriers. However, trade policy and financial sector liberalization might not have a direct causal link with financial inclusion. Financial policy makers and regulators did not specifically think of trade when designing and implementing financial inclusion policies. This was also true in the reverse scenario. However, insofar as foreign financial service suppliers participated in these markets and supplied services through different modes of supply, financial inclusion-related regulation could also become trade policy. However, this overlap was not a targeted objective of central banks. In India's experience, financial inclusion initiatives had been driven mainly by the domestic banks, and participation of foreign banks had rather been limited and shallow. This was not to say that foreign banks and financial institutions did not play a useful role in the financial sector, as such. As mentioned in the Note itself, one important role of foreign bank participation was to foster competition. But in India's view the correlation between financial sector liberalization and financial inclusion was, at best, weak.

2.10. The representative of the Philippines said that financial inclusion was under the purview of the Central Bank (Bangko Sentral ng Pilipinas, BSP). The National Baseline Survey for Financial Inclusion (NBSFI) conducted by the BSP in 2015 showed the existence of barriers to financial inclusion, both from the demand-side and the supply-side. Only 33% of Filipino adults with savings had bank accounts. With reference to demand-side barriers, about 65% of respondents to the survey cited the lack of money and the lack of knowledge to open and maintain a bank account as among the top reasons for not having a bank account. Other reasons cited included distance to the financial institution, high minimum balance requirements, too low interest rate on deposits, lack of identification card, and mistrust of financial institutions. Almost 50% of those who never borrowed money cited the lack of need as the main reason, while 16% did not have access to credit due to the unavailability of collateral. Other barriers hampering access to credit included high interest rates, burdensome documentary requirements, and personal and religious reasons. The main supply-side barriers were the lack of proper understanding of client needs, socioeconomic and cultural factors and obstacles posed by geography. Other contributing factors were the inadequate physical infrastructure (such as inefficient transportation and shipping facilities) and inefficient and/or prohibitively priced telecommunications services.

2.11. These reasons led the Philippines to launch the National Strategy for Financial Inclusion (NSFI). The NSFI was a comprehensive strategy developed through a broad-based consultative

process with private and public stakeholders involved in financial sector development. Recent empirical evidence showed that access to financial products and services made a substantial difference in people's lives and carried the potential of improving the well-being of unserved sections of society. A growing body of literature also suggested that greater financial inclusion contributed to financial stability and economic development. Among the programs under the NSFI was the promotion of a safe, reliable and efficient national retail payment system. In that respect, taking account of the experience in other jurisdictions, which showed that the uptake in electronic payments had contributed to financial inclusion, one of NSFI's objectives was to accelerate the shift towards electronic payments in the Philippines.

2.12. The Committee took note of the statements made and decided to revert to this agenda item at the next meeting.

3 ITEM C – RECENT DEVELOPMENTS IN FINANCIAL SERVICES TRADE

3.1. The Chairperson recalled that at the previous meeting, Jamaica, on behalf of the Caribbean Community (CARICOM), provided an update on recent developments regarding "de-risking and correspondent banking", and suggested that the Committee should hold a dedicated discussion or workshop on this issue. While there seemed to be interest in the issue, Members requested that Jamaica provided further details in writing, so as to facilitate consideration of the proposal.

3.2. The representative of Jamaica, speaking on behalf of the Caribbean Community (CARICOM), said that, at the last meeting of the Committee, WTO Members of the Caribbean Community proposed the convening of a workshop or seminar on the matter of de-risking and correspondent banking, and sketched a possible, but basic, framework for the suggested workshop. In response to Members' request for a proposal in writing, the Caribbean Community was still working on the core elements of a draft programme for the seminar with a view to tabling it at the next meeting of the Committee.

3.3. The delegation of the European Union said that his delegation was one of those asking for more details on the intention behind the proposal for a workshop. His delegation was certainly willing to consider any such proposal. However, the discussion was not yet ripe to consider the details of a programme for the workshop. Members should first discuss the purpose and the issues to be addressed in the proposed workshop.

3.4. The Committee took note of the statements made and decided to revert to this agenda item at the next meeting.

4 ITEM D – FUTURE WORK AND TIMING OF THE NEXT MEETING

4.1. The Chairperson said that suggestions for further work had been discussed under the previous agenda items, and the Committee had decided accordingly. In her view, there was sufficient substance to justify another meeting before the end of the year. She suggested therefore that the Committee meet again before the end of the year. The Committee so decided.

5 ITEM E – OTHER BUSINESS

5.1. There were no issues raised under Other Business.