



THE HON ANDREW ROBB AO MP

MINISTER FOR TRADE AND INVESTMENT

17 June 2015

Mr Gao Hucheng
Minister of Commerce
The People's Republic of China

Dear Minister Gao,

In connection with the signing of the China-Australia Free Trade Agreement (the 'Agreement') and discussions in relation to Annex 8-B (Financial Services), I have the honour to confirm the following understanding shared by the Governments of Australia and China to strengthen cooperation in the field of financial services:

The Australian Prudential Regulatory Authority (APRA) and the China Banking Regulatory Commission (CBRC) will cooperate on issues of mutual interest. This may involve discussion about the development of prudential frameworks of both countries, as they apply to both branches and locally-incorporated subsidiaries.

Subject to their prudential laws, regulations and rules, Australia and China will process expeditiously all applications made by each other's financial institutions for the establishment of subsidiaries, branches and sub-branches in their respective territories, on an equitable, non-discriminatory and good faith basis, as and when such applications are received.

In assessing the knowledge and skills of Chinese people who are nominated as "responsible managers" of the branches or subsidiaries of Chinese banks in Australia, the Australian Securities and Investment Commission (ASIC) will consider his/her relevant qualifications and experience gained in China in accordance with ASIC policy and according to the same criteria as is applied to other jurisdictions.

Australia and China welcome the progress in implementing the 2009 and 2011 Group of 20 ("G20") commitments on Over-The-Counter (OTC) derivatives, with the goals of reducing systemic risk, improving transparency and protecting against market abuse. Australia and China will coordinate between regulatory authorities and support the use of flexible, outcomes-based equivalence processes in respect of G20 OTC derivatives commitments to assess whether each other's OTC derivative market participants and infrastructures are subject to equivalent regulation

(including G20 mandates) and enforcement regimes. Australia and China will both advance the recognition of each other's OTC derivatives regulation where necessary to facilitate cross-border activities. Australia and China will apply arrangements consistent with the Financial Stability Board (FSB) and G20 recommendations on equivalence, and defer to each other in a manner and to the extent envisaged in their regulatory regimes, when it is justified in light of such equivalence assessments.

Australia confirms that Chinese financial institutions may apply to become a member of the Reserve Bank Information and Transfer System (RITS), which is the Real Time Gross Settlement (RTGS) system operated by the Reserve Bank of Australia (RBA), on a national treatment basis.

Australia and China will seek to strengthen cooperation and information sharing on payments system oversight.

Australia confirms that Chinese institutions are currently eligible to provide payment services (including clearing payments) in Australia, both as members of a payment system and as payment system operators, on a national treatment basis.

With a view to promoting supervision and cooperation on combating money laundering and the financing of terrorism, anti-money laundering authorities in Australia and China will commit to exploring opportunities for achieving mutually beneficial outcomes on these issues.

Relevant Australian agencies and China's State Administration of Foreign Exchange (SAFE) will cooperate on issues of mutual interest, which may involve information exchange on regulatory systems and policies and any other agreed issues.

China welcomes the participation of Australian private equity and funds investors in the Chinese market as qualified foreign investors. Australia and China will strengthen future cooperation to facilitate greater Australian mid-market size funds investment participation in China, as well as options to strengthen Australia-China Renminbi (RMB) fund partnerships in China.

I have the honour to propose that this letter and your letter in reply confirming that your Government shares this understanding shall constitute an integral part of the Agreement.

Yours sincerely

Andrew Robb

17 June 2015

The Hon Andrew Robb AO, MP
Minister for Trade and Investment
Parliament House
CANBERRA ACT 2600

Dear Minister Robb,

I have the honour to acknowledge receipt of your letter of this date, which reads as follows:

In connection with the signing of the China-Australia Free Trade Agreement (the ‘Agreement’) and discussions in relation to Annex 8-B (Financial Services), I have the honour to confirm the following understanding shared by the Governments of Australia and China to strengthen cooperation in the field of financial services:

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Subject to their prudential laws, regulations and rules, Australia and China will process expeditiously all applications made by each other’s financial institutions for the establishment of subsidiaries, branches and sub-branches in their respective territories, on an equitable, non-discriminatory and good faith basis, as and when such applications are received.

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I have the honour to propose that this letter and your letter in reply confirming that your Government shares this understanding shall constitute an integral part of the Agreement.

I have the further honour to confirm that my Government shares this understanding and that your letter and this letter in reply shall constitute an integral part of the Agreement.

Yours sincerely

Mr Gao Hucheng
Minister of Commerce
The People's Republic of China