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Executive Summary

Australia's funds management industry is – remarkably – the fourth largest in the world. Already managing a trillion dollars in assets and growing fast, it is sophisticated, capable and cost competitive. Government policy – in this case



This is not a rationalisation for tax avoidance or some special plea for favours for global fu6 u6 3 maaes operating inuaia Just as weempt exp.1(o)-its from GST (like other countries) so there is a general global understanding here



Figure One: Australia's Funds Management Cluster

*Source: Axiss.*⁵

However our industry is remarkably inward oriented, overwhelmingly serving the needs of Australian investors. Even where we are acquiring g Ad9,9.9(u)-tati0(ar1)4.9



2. Parallels with the past



discuss tax and regulation – surely a critical input into financial services and certainly one we must get right to manage the transition to export orientation.







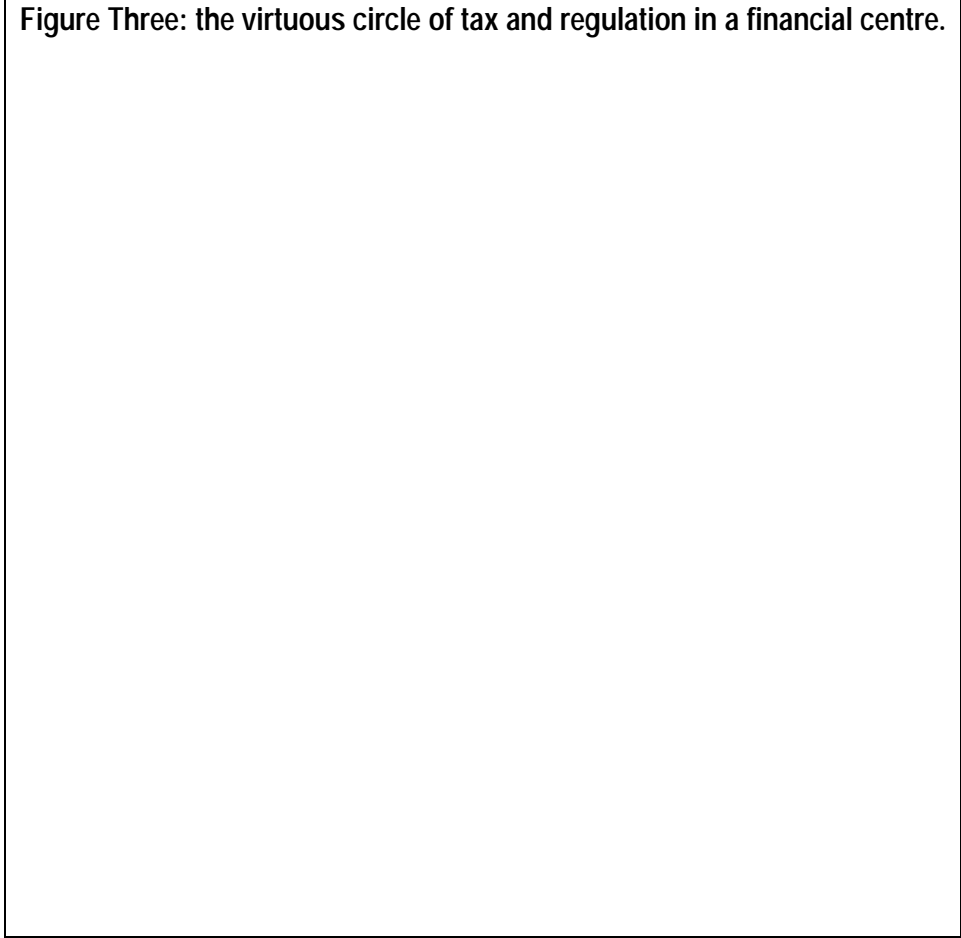
Thus, there are usually important trade-offs between preventing domestic tax



located, is also the success of the investing firm itself, then at



Figure Three: the virtuous circle of tax and regulation in a financial centre.



7.



Figure Five: Comparison of total production costs for equity funds by member state based on current average fund sizes

Source: CRA, 2006, p. 8.

The following things stand out from the chart. Firstly, although global financial



regulator identifies with its firms' aspirations to capture more global market share.¹²





| investors were investing directly into the market. A Belgian pension plan could |



Greater use of specialist vehicles

We have a penchant for simplicity in policy – once captured in Paul Keating's memorable description of his department's preference for 'long clean lines of





