TIJARA PROVINCIAL ECONOMIC GROWTH PROGRAM

FINANCIAL SERVICES IN IRAQ AND GATS NEGOTIATIONS

RECOMMENDATIONS AND IMPACT

April 2009

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ACRONYMS

BCBS	Basel Committee on Banking Supervision
BIS	Bank of International Settlements
CBI	Central Bank of Iraq
COSIT	Central Organization for Statistics and Information Technology
CPA	Coalition Provisional Agency
CPSS	Committee on Payment and Settlements Systems
ECA	Export Promotion Agencies
EU	European Union
FDI	Foreign Direct Investment
FSA	Financial Services Agreement
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GOI	Government of Iraq
IAASB	International Auditing and Assurance Standards Board
IADI	International Association of Deposits Insurers
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICBG	Iraqi Company for Bank Guarantees
ICP	Insurance Core Principles
IFAC	International Federation of Accountants
IFSL	International Finance Services London
IMF	International Monetary Fund
IOSCO	International Organization for Securities Commission
IQR	Iraqi Dinar
IT	Information Technologies
KRG	Kurdistan Regional Government
MFN	Most Favored Nation
MOU	Memorandum of Understanding
OECD	Organization for Economic Co-operation and Development
SAR	Safeguard Assessment Report
SME	Small and Medium Enterprise
UAE	United Arab Emirates
UNCTAD	United Conference on Trade And Development
USAID	United States Agency for International Development
USD	US Dollar
WEF	World Economic Forum
WTI	World Trade Institute
WTO	World Trade Organization

1. INTRODUCTION AND METHODOLOGY

The purpose of this series of documents on various sub-sectors under services is to prepare the Government of Iraq (GOI) for the submission of the services chapter to the World Trade Organization (WTO). It also seeks to assist the GOI to better understand the context in which each sub-sector operates in the economy. WTO accession is hardly an end in itself. Instead, WTO Accession is the beginning of a process of serious economic reform. Accession to the "club" of WTO requires serious commitments to liberalization, as well as an understanding of the impact of these commitments on the economy at large and its broader benefits.

Each of the sub-sector reports are broken into five parts:

1. Introduction and methodology — the key analytical elements applicable to the sub-sector;
2. Sub-Sector Context within the General Agreement on Trade in Services (GATS) and Value Chain Development — the sub-sector in the context of GATS, international best practices, and value chain development of the sub-sector;
3. Iraq and the role of the specific sub-sector, including the regulatory environment, data, and the role of the private sector in WTO negotiations;
4. Recommendations for Iraq in the negotiations of the sub-sector;
5. A general discussion of the impact of the proposed liberalization commitments on Iraq in the sub-sector.

Section 2 of this report describes the framework, or the "lens", through which the Iraqi Government Services Committee should analyze their sector. The WTO framework, its modes, horizontal commitments and value chain underpin the essence of preparation, and are the main content of the impact analysis.

Sections 3-5 provide a more detailed analysis of the sub-sector itself and its role and overall impact on the Iraqi economy.

There are five key methodological tools and concepts used to analyze the role of services in Iraq. These include:

a. WTO framework (definition of "modes");
b. International best practices;
c. Regulation;
d. Mode analysis;
e. Most Favored Nation (MFN), National Treatment and Market Access

In each case we need to make sure that the GOI clearly understands the framework and context of the sub-sector analyzed, and its relationship to the Four Modes contained in GATS.

Iraq applied for WTO accession in December 2004, and submitted a Memorandum on the Foreign Trade Regime in September 2005. The Working Party met for a second time in April 2008 to continue the examination of Iraq's foreign trade regime, however Services negotiations - did not commence.

This study has been prepared as a background paper supporting Iraq's accession to the WTO. As part of the WTO accession process, Iraq must negotiate offers/commitments for Trade in Goods and Trade in Services. The Iraqi Services sector is likely to be of particular interest to WTO members, due to its significant economic potential. An extensive consultation process underpins this study, which involved attending relevant meetings to make presentations and exchange of information, meeting with experts in the government and civil society, and undertaking dialogue in an electronic discussion.

This study will be presented at various meetings of the GOI Services Committee. In addition to this paper, there are several presentation materials prepared by the Trade Division that will discuss various aspects of this paper in greater detail. Working Committee meetings will include members of civil society, as well as trade negotiators from Iraq. In the writing of this paper, consultation was undertaken in the form of face-to-face meetings with a range of stakeholders representing national and regional organizations.

2. SUB-SECTOR CONTEXT IN GATS

2.1 WTO DEFINITION AND FRAMEWORK

The WTO General Agreement on Trade in Services, known as the GATS, is the first multilateral trade agreement regulating the worldwide liberalization of services. It is an important new element in the international framework that affects the regulation of every WTO member's financial sector. Following the Uruguay Round's failure to reach full agreement in 1993, negotiations on financial services were extended, and an interim agreement was reached by the WTO members in 1995. The final permanent agreement on services was reached at the end of 1997, and is annexed to the GATS as the Fifth Protocol.

Provisions relevant to financial services are included in the following documents:

- The GATS Agreement;
- The Annex on Financial Services;
- The Understanding on Commitments in Financial Services; and
- The individual schedules of specific commitments of WTO members.

2.1.1 Content of the Annex on Financial Services

The Annex on Financial Services contains definitions, services supplied in the exercise of governmental authority, prudential "carve-out", the recognition of prudential measures, and dispute settlement provisions.

2.1.2 Definition of Financial Services

The definition of a **financial service** is "any service of a financial nature offered by a financial service supplier of a Member". This definition includes all insurance and insurance-related services (e.g., direct insurance, reinsurance, insurance intermediation, and auxiliary insurance services), as well as all banking and other financial services (e.g., deposit taking, lending, financial leasing, asset management, trading in securities, and financial advice).

Financial service supplier is defined as any natural or juridical person willing to supply or already supplying financial services. This definition excludes public entities.

2.1.3 GATS Scope and Coverage in Financial Services

The scope and coverage of the GATS in financial services are as follows:

- All financial services, except services supplied in the exercise of governmental authority;
- Monetary and exchange rate policies;
- Statutory systems of social security or public retirement plans;
- Activities conducted by a public entity for the account or with the guarantee or using the financial resources of the government (e.g. export credits);
- All measures, including those by sub-central authorities (important in federal countries).

2.1.4 Prudential Measures [1]

The Annex on Financial Services allows Members to take measures for prudential reasons, including:

- The protection of investors, depositors, policy holders; and
- Ensuring the integrity and stability of the financial system.

The measures shall not be used as a means of avoiding commitments or obligations under the GATS. Prudential measures do not need to be scheduled but can be challenged under WTO dispute settlement procedures.

2.1.5 Recognition of Prudential Measures

- Members may recognize the prudential measures of any other country;
- Recognition may be based on a bilateral agreement or may be accorded autonomously;
- Adequate opportunity shall be afforded to other interested Members to join such agreements, as per GATS Article VII (Recognition);
- There is no need to notify to the WTO when entering into recognition talks.

2.1.6 The Understanding of Commitments in Financial Services

The Understanding on Financial Services provides an alternative mechanism for deeper commitments. As a voluntary tool, to date, the Understanding applies mostly to developed/OECD countries (apart from Nigeria and Sri Lanka). However, in current negotiations, developing countries are requested to subscribe to some, if not all, of the provisions of the Understanding. While the Understanding sets out rather detailed rules, even if WTO members agree to make commitments according to the Understanding, they retain some flexibility in so far as they can add conditions and limitations to their commitments. Members using the Understanding do so, on an MFN basis. The Understanding gives details about the sectoral scope and substantive nature of financial services commitments. A few more than 30 WTO Members have made commitments according to it.

The Understanding is not an integral part of the GATS. It is an alternative approach by some WTO Members which agreed on more far-reaching rules and disciplines in the financial services sector. The rules in the Understanding are not themselves binding; they are binding only as far as WTO Members voluntarily adhere to the Understanding by referring to it in their schedules of specific commitments, normally by inserting a head-note in the section on financial services to the effect that their specific commitments are taken in accordance with the Understanding. Since a Schedule is an integral part of the GATS, that makes the rules and disciplines of the Understanding binding on the Member concerned.

The Understanding of Commitments provides:

Standstill

It ensures the **status quo** or **acquired rights**. For example, if a Member already allowed foreign participation in a domestic insurance entity more than 51%, it could not restrict it to 49% when taking specific commitments. This represents an agreement not to use the existing flexibility in the GATS to commit to less than the regulatory status quo.

[1] Prudential rules are defined through national regulations and laws.

Market Access

- **Monopoly rights**

This is an additional discipline to Article VIII of the GATS. Article VIII requires Members to ensure that monopoly suppliers of services in their territory do not, in the supply of a monopoly service in the relevant market, act in a manner inconsistent with their obligations under Article II and their specific commitments. In the case of supply of services outside the scope of monopoly rights but covered by specific commitments, a Member must ensure that the monopoly service supplier does not abuse its monopoly position in the committed open market. In the Understanding, each **Member must list in its schedule any existing monopoly rights** in the financial services and must **endeavor to eliminate them or reduce their scope**. This obligation also applies to activities conducted by a public entity for the account or with the guarantee or using the financial resources of the government that normally fall outside the scope of the GATS. This point concerning monopoly by a public entity ***goes beyond*** **the GATS** since services supplied in the exercise of governmental authority are not subject to specific commitments unless conducted on commercial terms or in competition with other financial service suppliers. It should be noted, however, that while Members must schedule these monopoly rights, the obligation to remove or reduce them is best endeavors only.

- **Procurement**

The Understanding provides higher disciplines in that a Member must ensure that financial service suppliers of other Members established in its territory are accorded **MFN and national treatment** regarding the purchase or acquisition of financial services by its public entities in its territory. Commitments based upon this provision ***go beyond*** **the GATS** since Article XIII of the GATS exempts government procurement from the application of Articles II (MFN), XVI (Market Access) and XVII (National Treatment).

- **Cross-border trade**

On Mode 1 (cross-border supply), the Understanding provides that **a Member must permit nonresident suppliers of financial services to supply, as a principal, through an intermediary or as an intermediary, and under the terms and conditions that accord national treatment, certain services:**

1) Insurance of risk relating to maritime shipping, commercial aviation, space launching and freight, and goods in international transit;

2) Reinsurance, retrocession and the services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services;

3) Provision and transfer of financial information and financial data processing by suppliers of other financial services and advisory and other auxiliary services, excluding intermediation, relating to banking and other financial services.

This limited scope of the obligation reflects concerns by Members that cross border financial suppliers are not directly subject to the supervision and regulatory powers of a host Member's financial regulator, including the aspect of adequate protection of policy holders. For example, cross border supply of life insurance falls outside of the scope of the Understanding. It should be noted however that a Member still may make commitments on cross-border supply of life insurance in accordance with the Part III of the GATS. On Mode 2 (consumption abroad), the Understanding provides that a Member must permit its residents to purchase in the territory of any other Member the financial services on 1) and 2) above.

- **Commercial Presence**

The Understanding provides that a Member must grant financial service suppliers of other Members the **right to establish or expand** within its territory, including through the acquisition of existing enterprises, a commercial presence. "Commercial presence" is defined as an enterprise within a Member's territory for the supply of financial services and includes wholly or partly owned subsidiaries, joint ventures, partnerships, sole proprietorships, franchising operations, branches, agencies, representative offices or other organizations. The intention of this obligation is to give a foreign financial service supplier the right to establish a commercial presence, whatever the type of the presence, either through internal growth or the acquisition of other institutions. However, it does not prevent a Member from imposing terms, conditions and procedures for the authorization of the establishment and expansion of a commercial presence, provided they do not circumvent the Member's obligation to grant a right to establish and expand a commercial presence and they are consistent with the other obligations of the GATS. A Member thus may still reserve, for example, the national treatment obligation concerning a term, condition or procedure on the condition that it schedules the relevant measures in accordance with Article XVII.

- **New financial services**

The Understanding provides that a Member must permit financial service suppliers of any other Member established in its territory to offer in its territory any new financial service. A new financial service can not be a financial service that does not exist anywhere, that is, it must be already supplied in the territory of at least one Member.

- **Transfer of information and processing of information**

The Understanding addresses the issue of transfer and processing of information indispensable for the conduct of the ordinary business of a financial service supplier. It provides that a Member may not take measures that prevent transfers of information, the processing of financial information or even transfers of equipment where such transfers or processing of information are necessary for the conduct of the ordinary business of a financial service supplier. **This provision *goes beyond* the GATS since it addresses *inter alia* the transfer of equipment.** It should be noted that it also secures the right of Members to protect personal data, personal privacy and the confidentiality of individual records and accounts.

- **Temporary entry of personnel**

The Understanding provides that a Member must permit temporary entry into its territory of the following personnel of a financial service supplier of any other Member that is establishing or has established a commercial presence in the territory of the Member: **senior managerial personnel possessing proprietary information essential to the establishment, control and operation of the services of the financial service supplier; and specialists of the financial service supplier**. A Member must also permit, subject to the availability of qualified personnel in its territory, temporary entry into its territory of the following personnel associated with the commercial presence of the financial service supplier of another Member: **specialists in computer services, telecommunications services and accounts of the financial service supplier; and actuarial and legal specialists**. It should be noted that this does not prevent Members from taking measures to regulate the temporary entry of the personnel identified above such as visa requirement.

- **Other non-discriminatory measures**

The Understanding includes best endeavor clauses to reduce or to limit certain measures that are non-discriminatory but nevertheless have adverse effects on financial service suppliers, provided that any action taken would not unfairly discriminate against the financial service suppliers of the Member taking such action.

- **National Treatment**

The Understanding secures access to certain systems or organizations that are indispensable for a foreign services supplier to have effective access to the market of a host Member. A Member must grant to financial services suppliers of other Members established in its territory, under national treatment terms and conditions, **access to payment and clearing systems** operated by public entities and **to official funding and refinancing facilities** available in the normal course of ordinary business. Moreover, when **membership or participation in, or access to, any self-regulatory body, or any other organizations or association**, is required by a host Member in order for financial service suppliers of other Members to supply financial services on an equal basis with the host Member's financial service suppliers, or when the host Member provides directly or indirectly those entities with privileges or advantages in supplying financial services, the host Member must ensure national treatment to financial suppliers of other Members resident in its territory.

2.1.7 GATS Classification of Financial Services

The GATS classification system divides Financial Services into the following three categories:

1. All insurance and insurance-related services

a. Life, accident and health insurance
b. Non-life insurance services
c. Reinsurance and retrocession
d. Services auxiliary to insurance (including broking and agency services)

2. Banking and other financial services (excl. insurance)

e. Acceptance of deposits and other repayable funds from the public
f. Lending of all types, incl., inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction
g. Financial leasing
h. All payment and money transmission services
i. Guarantees and commitments
j. Trading, from own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:
   - Money market instruments (cheques, bills, certificates of deposits, etc.)
   - Foreign exchange
   - Derivate products including., but not limited to, futures and options
   - Exchange rate and interest rate instruments, including products such as swaps, forward rate agreements, etc.
   - Transferable securities
   - Other negotiable instruments and financial assets, incl. bullion
k. Participation in issues of all kinds of securities, including under-writing and placement as agent (whether publicly or privately) and provision of service related to such issues
l. Money broking
m. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services
n. Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments
o. Advisory and other auxiliary financial services on all the activities listed in Article 1B of MTN.TCN/W/50, incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy
p. Provision and transfer of financial information, and financial data processing and related software by providers of other financial services

3. Other

2.1.8 The Four Modes of Supply Governing Trade in Services

Trade in services is defined by reference to the four modes of supply.

1. **Mode 1: Cross-border supply.** The service, but not the service supplier, crosses the national border. (E.g., a New York-based bank grants a loan to an Iraqi consumer in Iraq.)
2. **Mode 2: Consumption abroad.** The service is consumed abroad. (E.g., an US resident opens a bank account while traveling in Iraq.)
3. **Mode 3: Commercial presence.** The service supplier from one country establishes commercial presence in the jurisdiction of another country. (E.g., a United States bank or financial institution establishes an agency, branch or subsidiary in Iraq to supply financial services in Iraq.)
4. **Mode 4: Presence of natural persons.** The service is supplied by a service provider through the (temporary) presence of natural persons. (E.g., bank executives or managers are sent from the parent bank in the United States to the bank's branch or subsidiary in Iraq).

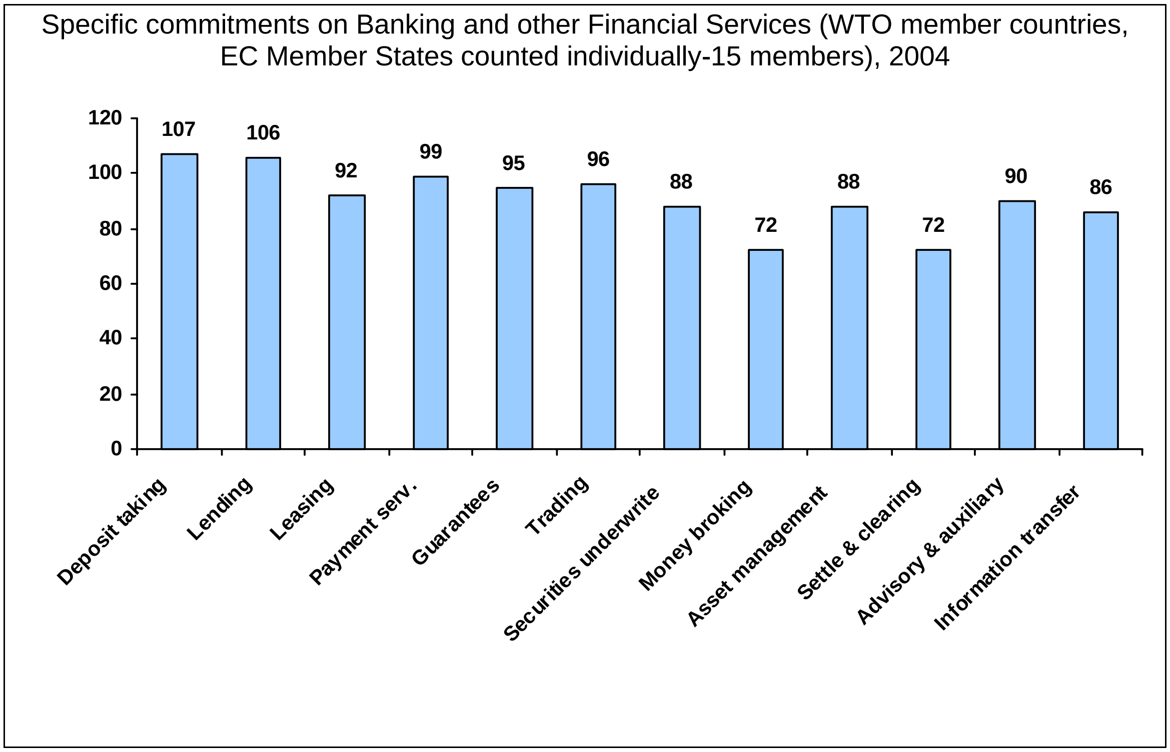
2.2 WTO MEMBERS AND THE AGREEMENT ON FINANCIAL SERVICES

Among the 12 services sectors, the financial services sector ranks second in terms of numbers of commitments (with tourism registering the highest). As of March 2005, 81% of members had committed to at least one of the sub sectors falling under financial services. These commitments are generally characterized by a concern to allow foreign equity in existing institutions and to protect the position of incumbents rather than to encourage new entry of additional foreign institutions.

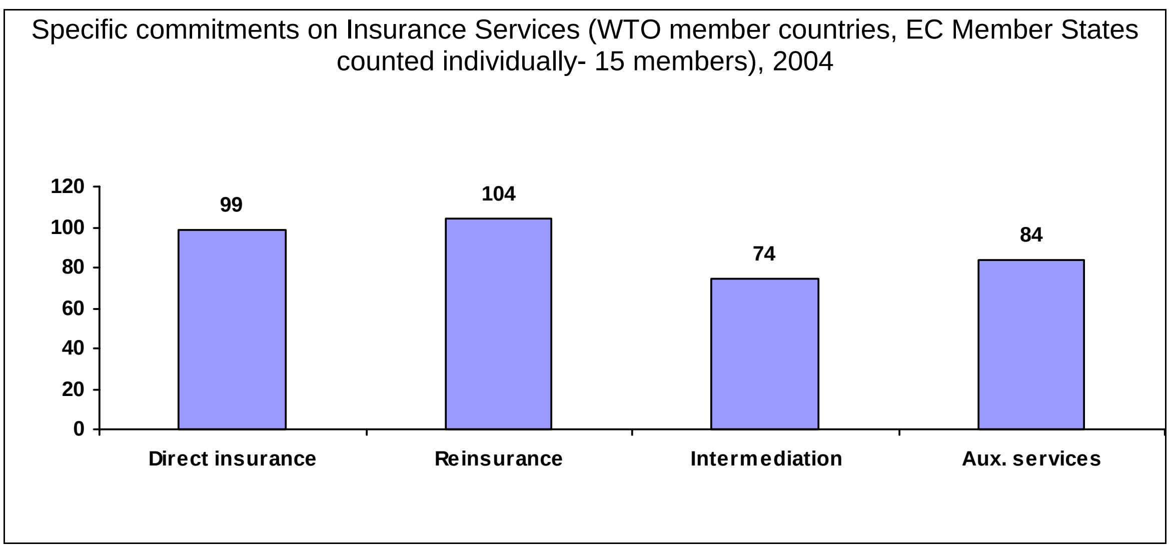
The WTO agreement on financial services reached in December 1997 is generally regarded as having contributed to more transparent policy regimes in the organization's member countries[2]. But its contribution to the opening of markets to foreign suppliers varied greatly among the different parties to the agreement. The heterogeneous quality of countries commitments as to liberalization was likewise a predictable consequence of differences among countries in their interests at stake.

Among the conditions countries maintain are limitations on the types of legal entity, the number of suppliers, foreign equity participation and investment across financial institutions, along with certain nationality and residency, authorization and licensing requirements. Some have also included the application of economic needs tests and reciprocity conditions for entry.

[2] UNCTAD, Andrew Cornford: "The WTO Negotiations on Financial Services: Current Issues and Future Directions", June 2004

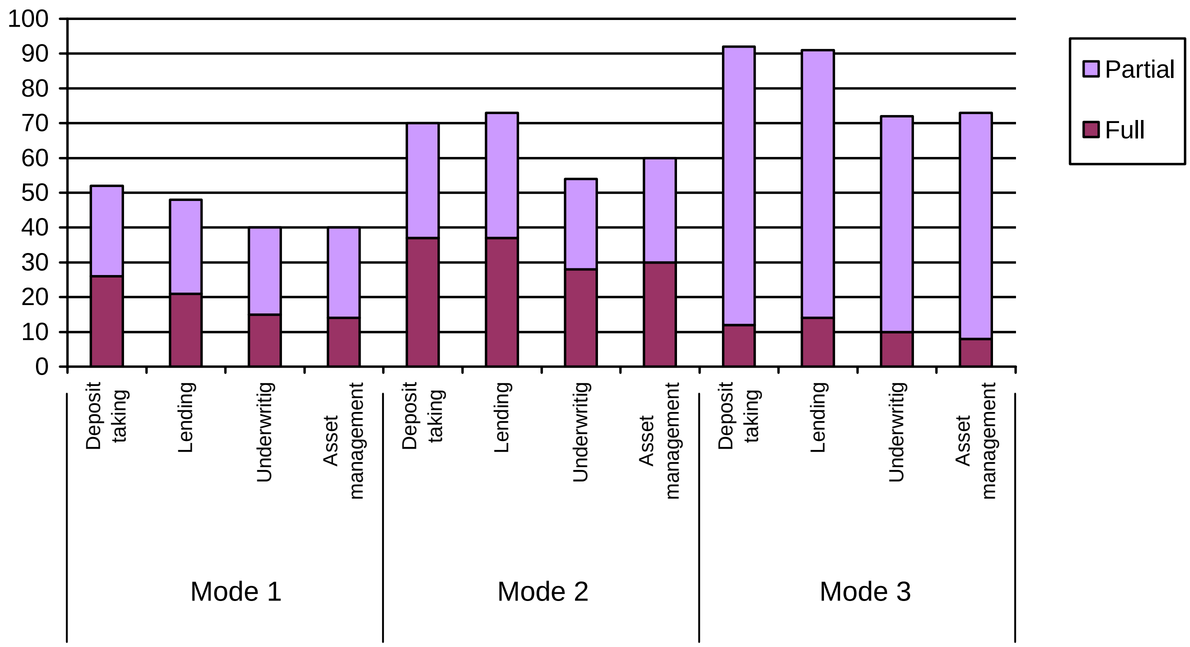


Source: Pierre Sauve, WTI

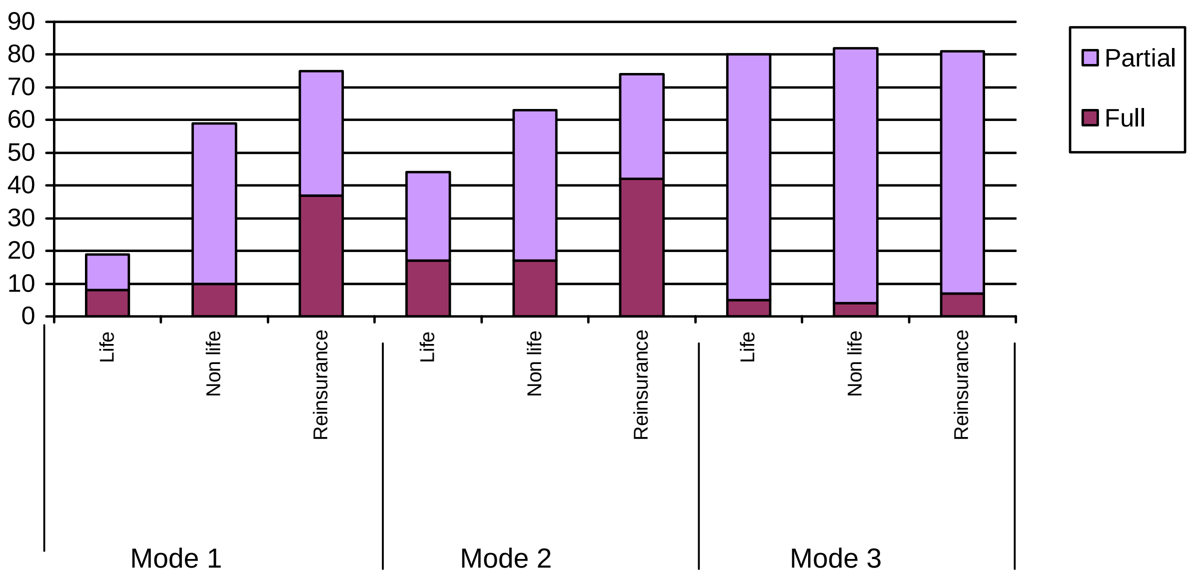


Source: Pierre Sauve, WTI

Modal pattern of commitments, Banking and other Financial Services (WTO member countries, EC Member States counted individually, 15 members), 2004



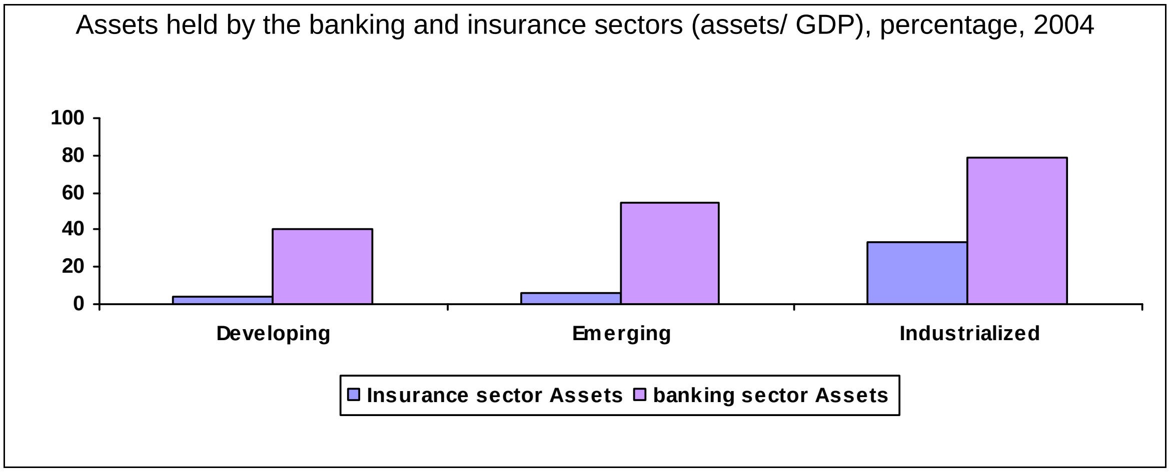
Modal pattern of commitments, Insurance Services (WTO member countries, EC Member States counted individually, 15 members), 2004



Source: Pierre Sauve, WTI

2.3 FINANCIAL SERVICES IN THE WORLD ECONOMY

Financial industries constitute a large and growing service sector in both developed and developing economies. In industrial countries, financial services account for between 2.5 and 13.3% of gross domestic product (GDP) and an average of around 4% of the workforce[3]. In several developing countries, financial services account for more than 5% of GDP. Moreover, because of its critical infrastructural role, the financial services sector is far more important than its direct share in the economy implies.



Source: IMF Insurance database

Global foreign exchange transactions total approximately USD 1,500 billion daily (2004) – which exceeds the value of worldwide trade in goods and services by more than a factor of 50. (The total value of worldwide trade in goods and services equaled USD 11,034 billion for the whole year 2004).

Because financial services integrate two different and complex sectors, it was decided to provide a more thorough analysis by dividing the study in two parts: Insurance Services (Part 3 of this report) and Banking Services (Part 4).

[3] Pierre Sauve and James Gillespie: Financial services and the GATS 2000 Round

3. INSURANCE

3.1 DEFINITIONS

Insurance is a financial product that legally binds the insurance company to pay losses of the policyholder when a specific event occurs. The insurer accepts the risk that the event will occur in exchange for a fee, the premium (Premiums are determined on the probability of risk as well as competition with other insurers). The insurer, in turn, may pass on some of that risk to other insurers or reinsurers. Insurance makes possible ventures that would otherwise be prohibitively expensive if one party had to absorb all the risk.

Consumers buy automobile insurance to cover both their cars and people who may be injured in accidents. Homeowners and renters buy insurance policies to protect their property and protect themselves from liability. People buy life and health insurance to protect themselves and their families from financial disaster in case of illness or death.

Reinsurance is the sharing of insurance policies among multiple insurers and selling securities on the market. Reinsurance companies are specialized in insuring the insurance industry.

Export credit insurance is a special form of insurance is the insurance of export payments. All industrialized countries have one or more export credit agencies (ECA) that will pay for potentially missed export earnings. In recent years, many of those agencies have been privatized. If a company is exporting to another country, and will receive the money only after the export has been finalized, it can request an export credit at a commercial bank. If the bank is not sure whether it will receive the payments for the goods exported to the country in question (e.g. when it concerns poor countries), the bank can get an insurance against this risk.

Distribution of insurance is handled in a number of ways. The most common is through the use of insurance intermediaries. Insurance intermediaries serve as the critical link between insurance companies seeking to place insurance policies and consumers seeking to procure insurance coverage. Intermediaries, traditionally called “brokers” or “agents” or “producers”, offer advice, information and other services in connection with the solicitation, negotiation and sale of insurance.

Insurance intermediaries facilitate the placement and purchase of insurance, and provide services to insurance companies and consumers that complement the insurance placement process[4]. Traditionally, insurance intermediaries have been categorized as either insurance agents or insurance brokers. The distinction between the two relates to the manner in which they function in the marketplace.

1. **Insurance agents** are, in general, licensed to conduct business on behalf of insurance companies. Agents represent the insurer in the insurance process and usually operate under the terms of an agency agreement with the insurer. The insurer/agent relationship can take a number of different forms.

   In some markets, agents are “independent” and work with more than one insurance company (usually a small number of companies). In others, agents operate exclusively – either representing a single insurance company in one geographic area or selling a single line of business for each of several companies. Agents can operate in many different forms – independent, exclusive, insurer-employed and self-employed.

[4] World Federation of Insurance Intermediaries: the role of insurance intermediaries

2. **Insurance brokers** typically work for the policyholder in the insurance process and act independently in relation to insurers. Brokers assist clients in the choice of their insurance by presenting them with alternatives in terms of insurers and products. Acting as "agent" for the buyer, brokers usually work with multiple companies to place coverage for their clients. Brokers obtain quotes from various insurers and guide clients in determining the adequate policy from a range of products.

   In some markets, there are distinctions among brokers depending upon the types of insurance they are authorized (licensed) to intermediate – all lines of insurance, property and casualty or life/health coverage.

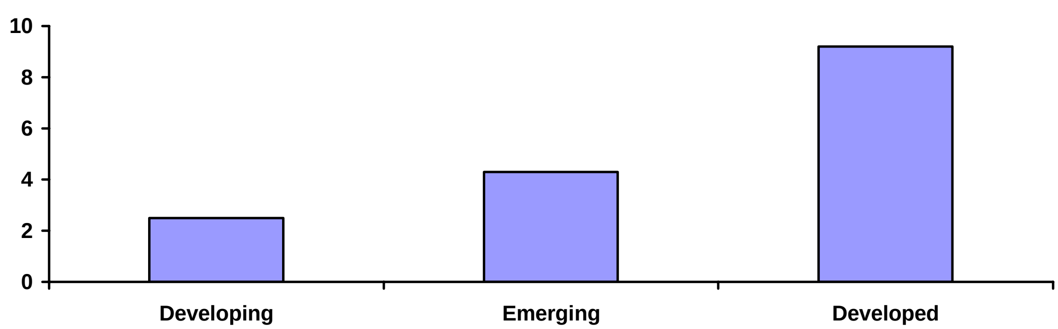
   Reinsurance brokers solicit, negotiate and sell reinsurance cessions and retrocessions on behalf of ceding insurers seeking coverage with reinsurers. Reinsurance brokers can also be involved in a reinsurer's retrocession of parts of its risk.

3.2 INSURANCE IN THE WORLD ECONOMY AND AT THE WTO

3.2.1 Insurance Market Trends

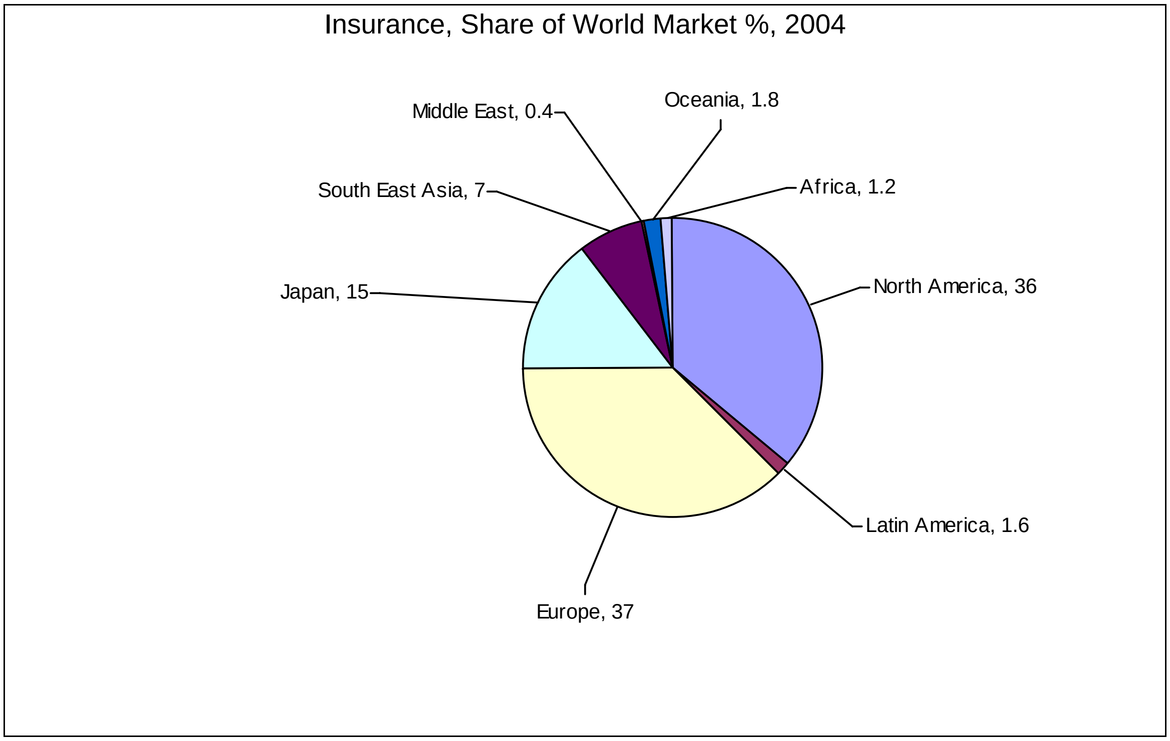
World insurance premiums rose from approximately USD 2.959 trillion in 2003 to USD 3.244 trillion in 2004, indicating an overall real growth rate of 2.3%. Industrialized countries generate about 88% of world life insurance premiums and account for 90% of the world non-life market[5]. While the collective premiums of industrialized countries were higher than those of emerging markets, the overall real growth rate of the emerging markets for 2004 stood higher – at 7.5% as opposed to 1.7% in industrialized countries – indicating the existence of great potential in emerging markets.

Global insurance industry is dominated by industrialized countries (premiums/ GDP) in percentage, 2004 – Insurance Penetration



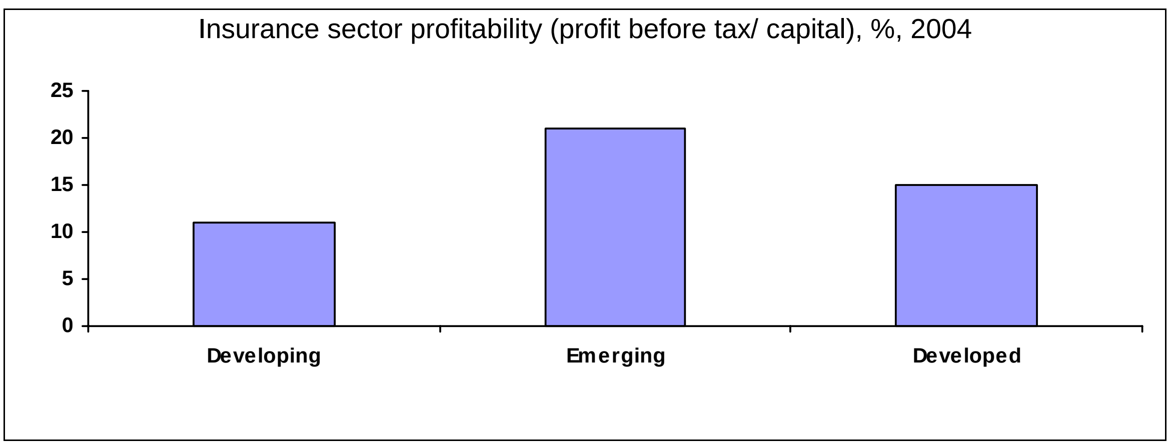
Source: IMF Insurance database

[5] UNCTAD: trade and development aspects of insurance services and regulatory frameworks, 2007



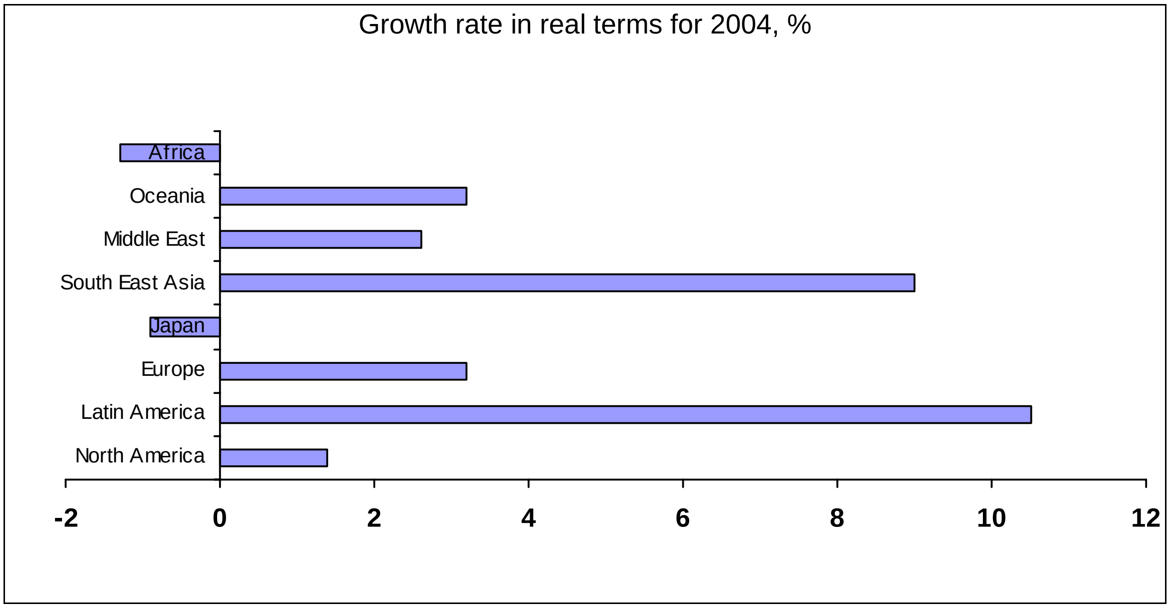
Source: Swiss Re

Insurance markets move towards privatization and liberalization. Developing countries have market potential; insurance premiums are growing. Large populations and rising living standards, and emerging markets such as India, Brazil and China constitute attractive markets for investment.



Source: IMF Insurance database

Current growth rates are particularly high in Latin America and Asia (e.g. China, which has a growth rate of 27% adjusted for inflation). Also, insurance markets differ between developing countries, including in their growth rates and in their size. This is due, among other factors, to variations in culture, insurance regulation and GDP.



Source: Swiss Re

Like other financial services, insurance business is becoming more international in its organization and operation. The changes are coming from both the demand and the supply sides of the industry and are also being made possible by the reduction of barriers to international trade and developments in information technology. In general, insurance is less liberalized internationally than banking and is particularly liable to new regulatory obstacles. The current services negotiations at the WTO – Doha Round – aim to produce substantial liberalization, resulting in the removal of many of the types of barriers that currently exist.

Although the insurance market is often viewed as a single entity, there are substantial differences in its two segments: life insurance on the one hand, and general or non-life insurance on the other[6]:

- **Life insurance** accounted for the majority of world insurance in 2006 with premium income totaling USD 2,209 bn or 59% of the total.

  Developed countries are set to experience a dramatic demographic shift during the course of the next 50 years due to increasing life expectancy and a falling birth rate. Trends towards greater individual provision for retirement and health care and less reliance on state pension systems should provide the life insurance industry with significant growth opportunities in the future.

  The challenge for pension insurance policy in every country depends on demographic changes. Lower birth rates and extended life length dramatically increases the percentage of elderly people.

- **General insurance premiums** grew by 5.0% (or 1.5% in real terms) in 2006 to reach USD 1,514 billion, mostly due to strong growth in emerging markets.

The following market drivers have been highlighted in respect of insurance services:

- Demand for insurance services: Demand is determined by changes in demographics and wealth profiles, as well as cultural consumption and spending patterns. It will also be affected by the largely untapped emerging market and the unutilized – or underutilized – saving capacities of people in the developed countries.

[6] IFSL Research: Insurance 2007, November 2007

- Increased liberalization and privatization of insurance services: Increasing liberalization and privatization have occurred either independently or as a result of bilateral/multilateral arrangements. The bigger players in the global insurance markets have a crucial interest in continued liberalization, particularly in the context of the larger insurance markets including China, South Africa, Brazil and India.

The insurance sector is also subject to operational drivers, which include the following, among others: distribution, risk management and liability management, off shoring, outsourcing and operational capacity.

- Distribution: it was noted that, with the exception of European countries, distribution networks for insurance services are not as well developed as distribution networks for banking services. This is particularly true with regard to developing countries. Since the distribution of insurance services is less developed and more difficult to manage than the distribution of banking services, insurance services providers are forging alliances with banks to distribute their insurance products. This is a part of a broader trend in terms of closer ties between insurers and banks, and has given rise to questions about the nature of regulation not only within the insurance services sector but also across the entire financial services sector.

- Risk management and liability management: the management of risk and liabilities is also undergoing changes, including trends towards pooling data and using modern, high-tech IT services.

- Off shoring, outsourcing and operational capacity: as in other sectors, there is a growing trend in the insurance services sector towards outsourcing certain services, inter alia for the purpose of improving cost-effectiveness.

3.2.2 Role of Insurance in Economic Development

Insurance markets in developing countries have a number of particular features. These include their small size, undercapitalization, and institutions that are underdeveloped or do not exist, as well as insufficient experience and know-how. In many developing countries, insurance services are not yet considered a key component of the financial services sector. This results in a low profile, a lack of interest, and the government's insufficient allocation of resources to the development of the insurance sector.

Divergences remain both between developing countries and within the insurance market itself (for example, the life insurance sector, which could have the most widespread positive welfare impact, remains less developed, particularly in comparison with the non-life sector).

Developing countries face a series of specific challenges. These derive from, among others, the important infrastructural role of insurance services, the rapid evolution of the global financial and insurance markets, and the trend towards liberalization in the insurance services sector, as well as from the lack of human capital and skilled personnel.

The first of these challenges relates to the importance of developing national strategies and policies, with due consideration of national development objectives. This applies to both the financial services sector in general and the insurance services sector in particular.

Insurance plays an important role in economic development. It provides a vital national infrastructure for business activities as well as for individual lives. Insurers accept a relatively large or long-term risk in return for relatively small payment by calculating the likely claims and required payments and collecting a large number of similar risks. Economic development has inevitably expanded the scope of risks and increased individual risks: for business – from maritime, aviation and large industrial plants to individual corporation liabilities, and for individuals – from auto accidents and fire to specific disease and care for ageing needs[7]. Beyond the commercial world, insurance is vital to individuals. Lack of insurance coverage would leave individuals and families without protection from the uncertainties of everyday life. Life, health, property and other insurance coverage are essential to the financial stability, well-being and peace of mind of the average person.

- **Insurance facilitates business**

Modern economies rely on specialization and improvements in productivity, including productivity in financial services. Trade and commercial specialization demand, in turn, financial specialization and flexibility. Unless there is a wide choice of financial products – and this includes insurance products – with corresponding levels of innovation, developments in trade and commerce can be held back.

- **Insurers provide risk management services**

In their widest sense, these services cover risk pricing, risk transformation, and risk reduction. They are all essential services for a competitive market. Businesses and individuals need to transform their risk exposures in property, liability, loss of income and many other fields to achieve an optimum "fit" to their own needs. Life insurers enable individuals to manage their savings to match the liquidity, security and other risk profiles desired.

- **Insurers offer risk management through risk pooling**

This is the essence of insurance, taking underwriting and investment together. Pooling reduces volatility. If volatility is reduced, there is a smaller "risk premium" to be faced by insurers and borrowers. And, through risk management, insurers can bring to bear economic incentives for reducing business risk exposures.

- **Insurers mobilize personal savings**

In general, countries with high savings rates are those showing fastest growth. Insurers have a key role in enhancing savings rates and in channeling domestic savings into domestic investment; and, through long-run investments, matched to risks and generally located in the host economy in which they operate, insurers are key holders of equity and bond portfolios.

- **Insurers play a key role in fostering efficient allocation of capital and economic measures**

In assessing risks, they engage in an information function which requires them to evaluate firms, projects and managers. And they do so both in deciding whether to offer insurance and in their role as lenders and investors. In these ways, a healthy insurance sector can act as a catalyst to economic growth.

Globally, insurance services can contribute to economic development by:

- Playing an infrastructural and commercial role
- Promoting financial stability
- Fostering the efficient allocation of country's savings
- Mobilizing and channeling savings (life insurance)
- Relieving pressure on the government budget
- Supporting trade, commerce and entrepreneurial activity
- Lowering the total risk faced by the economy
- Improving individual's quality of life and increasing social stability
- Granting export opportunities

[7] OECD, Working Party of the Trade Committee: "Managing request/offer negotiations under the GATS: the case of insurance services". 4 November 2003

3.2.3 Linkages between Insurance and Other Sectors

Insurance linked to transports such as marine and aviation and to trade in goods are inherently international. The huge risks associated with natural catastrophes and large industrial plants require diversification of cover in the international market; reinsurance is typically an international service. As risks come in different sizes and forms, no individual country has the insurance capacity necessary to efficiently cover all of the risks present in the country.

Insurance enables any business to operate in a cost-effective manner by providing risk transfer mechanisms whereby risks associated with business activities are assumed by third parties. It allows businesses to take on credit that otherwise would be unavailable from banks and other credit-providers fearful of losing their capital without such protection, and it provides protection against the business risks of expanding into unfamiliar territory – new locations, products or services – which is critical for encouraging risk taking and creating and ensuring economic growth.

The spread of electronic information concerning available coverage of business and individual risks and the proliferation of internet transactions has enhanced market opportunities for other types of insurance and associated intermediary services which had been supposed to be less directly linked to international transactions.

The Internet enables insurers to outsource distinct aspects of the value chain, perhaps at first the labor-intensive administrative tasks suitable to be carried out in developing countries. Some new firms operate at the other extreme and outsource all tasks to specialist partners once a policy has been sold on their web site, and so offer very competitive prices. This demonstrates how the internet has lowered market entry barriers. It is clear that the internet has the potential to reduce the costs of distribution by avoiding the commissions payable to agents and brokers, as well as reducing the costs of policy administration and claims handling, through automated processing. Better data control through electronic processing can lead to improved risk analysis and the detection of fraud.

3.2.4 WTO and Insurance

World trade in insurance services predominantly takes place via commercial presence (mode 3), although the importance of cross-border transactions (mode 1) is increasing. This trade is currently dominated by suppliers from developed countries. Because the insurance markets in developed countries have matured while those in developing countries are still growing, insurance companies in developed countries have been seeking overseas emerging markets. The negotiations provide an opportunity for developing country suppliers to gain access to other markets, but a few developing countries in fact maintain highly developed insurance markets. The primary focus of the negotiations will be how the activities of foreign insurers in their domestic markets can help to maximize the gains for national development.

In general, various types of insurance and insurance-related services are supplied under different modes. Large commercial risks, such as marine, aviation and transport, tend to be insured from highly developed insurance centers via Modes 1 and 2. Life insurance and other retail type insurance are commonly supplied to individuals through established commercial presence on Mode 3, although recent progress in electronic transaction would enhance opportunities for supplies via Modes 1 and 2. Mode 4 in the insurance sector may be less pertinent than in the case of professional services. Current commitments for this mode tend to be limited to the intra-corporate transfer of managers, executives and specialists.

- **Limitations**

Some examples of limitations on market access in insurance are:

- The number of life insurance companies is limited and foreign life insurance companies are not allowed to sell life insurance;
- Total caps on the percentage of the market for foreign suppliers;
- Foreign insurance companies are required to establish a joint venture with a domestic partner;
- Foreign equity in domestic insurance companies is limited a specific percent.

National Treatment (Article XVII) also permits Members to schedule and maintain limitations on non-discrimination. For example, a discriminatory tax measure on foreign insurance premiums is relevant to this commitment. Moreover, Article XVIII provides an opportunity for a Member to decide to undertake any "additional commitments" relating to measures other than those subject to scheduling under market access or national treatment, for example, relating to qualification requirements, technical standards and licensing requirements. Those commitments should be inscribed as additional commitments in the fourth column of the schedule.

3.2.5 The Annex on Financial Services – Prudential Measures

The Annex on Financial Services, which applies to measures affecting the supply of financial services, was adopted as an integral part of the GATS at the end of the Uruguay Round. The Annex defines financial services as including insurance and insurance-related services, i.e.,: i) direct insurance (including co-insurance), life and non-life; ii) reinsurance and retrocession; iii) insurance intermediation, such as brokerage and agency, and iv) services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services. These definitions of insurance and insurance-related services are a starting point to deal with the insurance sector in light of GATS commitments by WTO Members.
The Annex on Financial Services sets out key parameters for the sector. Activities that fall outside of the GATS scope are insurance and insurance-related activities forming part of a statutory system of social security or public retirement plans, as well as other activities conducted by a public entity for the account or with the guarantee or using the financial resources of the Government. It is noted that if a WTO Member allows these activities to be conducted by its financial service suppliers in competition with a public entity or a financial service supplier, these activities will fall under the GATS.

The Annex also established:

- Measures taken for prudential reasons, provided that they are not undertaken to avoid commitments or obligations under the GATS;
- Rules for the recognition by a member of the prudential rules of another.

The Annex exempts activities related to statutory social security and public retirement plans from GATS rules.

Prudential regulation and supervision play an important role for insurance at the various levels to ensure policy objectives including protection of policyholders and investors, given the diverse nature of risks and relevant stakeholders. One particularly important feature of the insurance sector is that it provides products which not only cover large risks, but which may include long-term responsibilities. This time-frame, and the extent of the required investment, greatly increases the value of the guarantee of a stable regulatory and policy environment[8].

[8] OECD, Working Party of the Trade Committee: "Managing request/offer negotiations under the GATS: the case of insurance services". 4 November 2003

3.2.6 Regulation, Its Importance and Elements to Consider

Broadly speaking, the role of the regulator in the insurance sector is to ensure the viability, integrity and stability of the financial system, as well to ensure that public confidence in the institutional financial structure of the economy as a whole is maintained.

Across countries, the regulation and supervision of the insurance industry is far from consistent. For example, even among developed countries there are great differences with regard to capital adequacy and reinsurance supervision. Given the high mobility of capital, these inconsistencies create the danger of leaving regulators and supervisors ill-equipped to monitor the financial strength and risk profiles of insurers and reinsurers. This in turn, can have negative implications for financial stability as such.

A well-functioning and efficient insurance services sector requires legislation which provides for the role, functions and powers of an independent supervisory authority.

The first area Governments seek to regulate are entry requirements to ensure that financially weak or non-credible insurance companies are not admitted into the domestic market. These restrictions can take the form of licensing requirements, specified organizational requirements, ownership restrictions, restrictions on operating in areas other than insurance such as banking or securities and separation of activities in different insurance sub sectors. Well-functioning financial reporting and monitoring ensures compliance and timely intervention in case of mismanagement/non-compliance thereby minimizing the risk of insolvency. Corporate governance requirements presuppose the existence of efficient internal control by management of procedures and policies followed in the insurance company. It includes the use and supervision of qualified accountants and actuaries, who play an important role in providing an accurate picture to the supervisor, consumer and shareholder of the financial health of the company.

• Creation of an Insurance Supervisory Authority

Insurance legislation and reliable information can play their proper role only if an enforcement body – that is, an insurance supervisory body – is established and functions effectively.

Therefore, the insurance supervisory authority should meet the following criteria:

- Have the power to license insurance companies, apply prudential regulations, conduct consolidated supervision, obtain and independently verify relevant information, engage in remedial action and execute portfolio transfer, and apply sanctions against insurance companies which do not follow the recommendations and injunctions of the supervisory authorities (i.e. restrict the business activities of a company, direct a company to stop practices that are unsafe or unsound or take action to remedy an unsafe or unsound business practice with the option to invoke other sanctions on a company or any business operation);
- Be independent of both political authorities and controlled companies in the daily execution of supervisory tasks and be accountable in the use of its powers and resources to pursue clearly defined objectives;
- Have broad and ample knowledge and experience ranging from actuarial science to contract law drawn from wide experience;
- Have a reliable and stable source of funding to safeguard its independence and effectiveness;

- Have the powers and sufficient resources to cooperate and exchange information with other authorities both at home and abroad thereby supporting consolidated supervision;
- Have an established employment system to hire, train and maintain a professionally qualified staff.

At the same time, the insurance supervisory authority must be bound to strict professional secrecy and the legislation must exclude any arbitrary intervention of the administration.

Except the cases stipulated in law, the insurance supervisor may under no circumstances interfere in the management of insurance companies: the company's management being the only party liable for the decision it makes within the framework of the mandate conferred upon it by the owners of the company.

The supervisory authority should establish good cooperation and coordination schemes with other related government bodies or insurance institutions, such as ministries, tax offices or insurance guaranteed funds so that the given tasks are properly carried out.

- **International Supervisory and Regulatory Bodies**
  - **International Association of Deposit Insurers (IADI):** The IADI promotes international cooperation and exchange of know-how among deposit insurers and other interested parties. It aims at contributing to financial stability by providing guidance for more effective deposit insurance and enhancing understanding of common interests. (www.iadi.org)
  - **International Association of Insurance Supervisors (IAIS):** IAIS is charged with developing internationally endorsed principles and standards that are fundamental to effective insurance regulation and supervision. (www.iaisweb.org)

The IAIS was established in 1994 to promote cooperation and transfer of know-how among insurance supervisors. It strives to contribute to financial stability and coordinates with regulators of other financial sectors. Since 1994, the IAIS has since become the worldwide recognized standard setter in the insurance sector.

IAIS members are insurance supervisory authorities from more than 100 jurisdictions. In addition, there are 70 observers form professional organizations, insurance and reinsurance companies, international financial institutions, and other individual professionals.

The IAIS has 21 working parties meeting 3 to 4 times a year and deals with particular issues of the insurance industry such as accounting, reinsurance, insurance fraud, electronic commerce, investments, emerging markets, disclosure and transparency.

Through its working parties, IAIS members have developed and approved several standards, the major of which include:

- The IAIS Core Principles and Methodology for effective operation of supervisory systems (2000): the principles were updated in October 2003 to add issues of transparency of the supervisory process, risk assessment, consumer protection and anti-money laundering;
- The Insurance Concordat (1999): covers principles to improve the supervision of internationally operating insurance companies and their cross-border business operations, including cross border insurance business that is conducted without foreign establishment (e.g. through internet). The concordat promotes cooperation between supervisors from the home and the host countries.

IAIS's recent work on standard setting has focused on developing standards in the following areas:

- Solvency;
- Cross-border service provision;
- Asset risk management;
- Group coordination of financial conglomerates;
- Reinsurance;
- Market conduct;
- Electronic commerce;
- Accounting standards (whereby it works closely together with the International Accounting Standards Board)

- **International Auditing and Assurance Standards Board (IAASB):** International standards on accounting and auditing. IAASB is a committee of the International Federation of Accountants (IFAC) dedicated to improving the uniformity of auditing practices and related services throughout the world. Therefore, it issues pronouncements on a variety of audit and assurance functions and promotes their acceptance. (www.ifac.org)

3.3 EXAMPLES OF WTO MEMBERS

Financial services – and insurance services as part of them – represent the sector with the second-highest overall level of WTO commitments, after tourism. Overall, commitments undertaken by the WTO members in insurance services are skewed in favor of Mode 3, as opposed to Modes 1 and 2.

In total, over 100 WTO members have made insurance commitments. However, there are only a few instances when a member makes full commitments. Most members maintain limitations.

Nine countries were chosen for the purpose of this benchmarking study. The table below presents the list of countries and reasons for their selection.

Country	Neighborhood	New WTO member	Transition countries	Advanced countries	Unstable environment
Egypt	●			●	
Jordan	●	●			
Morocco				●	
Pakistan					●
Saudi Arabia	●	●			
Tunisia				●	
Turkey	●			●	
United Arab Emirates	●	●		●	
Ukraine		●	●		

Of the countries selected for this study, most acceded to the WTO in 1995. Four newcomers are also analyzed: United Arab Emirates (April 1996), Jordan (April 2000), Saudi Arabia (December 2005) and Ukraine (May 2008). All but one have made commitments on insurance services under GATS; the exception is the United Arab Emirates.

Date of accession of the benchmarked countries:

Country	Date of WTO accession
Egypt	30 June 1995
Jordan	11 April 2000
Morocco	1 January 1995
Pakistan	1 January 1995
Saudi Arabia	11 December 2005
Tunisia	29 March 1995
Turkey	26 march 1995
United Arab Emirates	10 April 1996
Ukraine	16 May 2008

The GATS classification system divides "all insurance and insurance-related services" into four sub-sectors. (Refer to Section 2.1.7 for the full summary of GATS classification.) The following sections discuss examples presented by the benchmarking countries in terms of WTO commitments they undertook.

3.3.1 1st Sub-sector: Life, Accident and Health Insurance Services

Under this sub-sector, many limitations on market access remain.

- Under **Mode 1**, most of the countries have not taken any commitments. Mode 1 is "unbound" for Morocco, Pakistan, Saudi Arabia, Turkey and Ukraine. Egypt does not put any limitation on market access on Mode 1.

- Under **Mode 2**, five countries of eight define no market access limitations: Egypt, Saudi Arabia, Tunisia, Turkey and Ukraine. The others took no commitments under this mode.

- Under **Mode 3**, only three countries – Jordan, Morocco and Ukraine – have full commitments with no limitations on market access ("none"). Other countries have imposed limitations on market access that relate to economic needs tests, foreign equity limitation, geographical limitations, and the form of companies.

  The chart below summarizes limitations on market access specified by Egypt, Pakistan, Saudi Arabia, Tunisia and Turkey.

Country	Accident and health insurance services Limitations on market access
Egypt	• Foreign and Joint Venture companies are allowed only to carry on business in free zones provided that their activities shall be confined to the transactions carried out in convertible currencies. • Branches not allowed • Foreign capital equity under 49% - except in free zone where there is no capital limitation • Limitation of the number of services operators depending on economic needs tests (relaxation in 2000)
Pakistan	• Max of 25% of foreign shareholding in existing life insurance companies • Foreign capital equity under 51%
Saudi Arabia	• Through joint stock or branch as a cooperative insurance supplier
Tunisia	• Subsidiaries must be public limited companies or mutual society
Turkey	• Through joint stock or branch as a cooperative insurance supplier

  It is important to note that under Mode 3, no limitations on national treatment ('none') were defined. The only one who did not take any commitment on national treatment is Pakistan ('unbound').

- Under **Mode 4**, most of the positions are "unbound", giving countries the freedom to introduce or maintain restrictions and / or refer to horizontal commitments such as *inter alia* working permits (for a specific period, position, or skill level when qualified nationals are unavailable). The exceptions are Egypt, which required the approval of foreign workers by the Supervisory Authority, and Turkey, which did not define any limitations ("none").

3.3.2 2nd Sub-sector: Non-life Insurance Services

The second sub-sector on insurance pertains to "non-life insurance services" (section 2.1.7).

- Under **Mode 1**, most of the countries made no commitments, with the exception of Saudi Arabia, Turkey and Ukraine who specified commitments on very specific risks coverage such as: maritime shipping, commercial aviation, space launching and freight, transportation of goods, and risks to goods in international exchange/ transit.

- Under **Mode 2**, Jordan, Morocco, Pakistan and Turkey did not make any commitments – with the exception of Turkey, which made commitments on sectors defined above (same as Mode 1). Egypt, Tunisia, Saudi Arabia and Ukraine have no limitations on market access.

- Under **Mode 3**, limitations to market access are generally in line with those defined in the previous sub-sector, namely economic needs tests, foreign equity limitation, geographical limitations, and the form of companies.

  The only countries who made a full commitment without any limitation on market access are Turkey, Morocco and Ukraine ("none"). Turkey specified one limitation on national treatment, "compulsory traffic insurance of publicly owned motor vehicle can only be undertaken by insurance companies with majority of paid-in capital belonging to Egypt nationals".

  Most countries do not specify any limitation on national treatment ('none'). The exceptions are Tunisia and Pakistan, which did not take any commitments on national treatment under mode 3 ("unbound").

  Review of limitations defined on market access under Mode 3:

Country	Non-Life Insurance Services Limitations on market access
Egypt	• Foreign and Joint Venture companies are allowed only to carry on business in free zones provided that their activities shall be confined to the transactions carried out in convertible currencies. • Foreign branches and agencies not allowed • Foreign capital equity under 51% - except in free zone where there is no capital limitation • Limitation of the number of services operators depending on economic needs tests (relaxation in 2002)
Jordan	• Foreign capital equity under 51%
Pakistan	• Bound for the existing foreign insurance providers • Legal cessions of the total transactions must be ceded to Egyptian Reinsurance Co. according to the percentages to be decided by the Supervisory Authority and 5% of the Company's treaties to African Reinsurance Co.
Saudi Arabia	• Foreign capital equity under 60%
Tunisia	• Subsidiaries must be public limited companies or mutual society

- Under **Mode 4**, national positions are mainly "unbound". The exceptions are Egypt, which required the approval of foreign workers by the Supervisory Authority, and Turkey, which did not define any limitations ("none").

3.3.3 3rd Sub-sector: Reinsurance and Retrocession

The third sub-sector on insurance pertains to "reinsurance and retrocession" (section 2.7.1).

- Under **Mode 1**, most of the countries made full commitments ("none"). Only three countries imposed limitations on market access on reinsurance and retrocession:
  - Morocco: establishment of a reinsurance plan in the framework of existing regulations, to be delivered to the national body responsible for reinsurance
  - Tunisia: approval of reinsurers and appointment of a responsible officer: acceptation by the Ministry of Finance

- Turkey: Non-life insurance premiums, after the retention, are subject to a certain percent compulsory ceding to Milli Reinsurance Co. This compulsory ceding is cancelled if the total retention ratio of the reinsurance company reaches 75%.

- Under **Mode 2**, the majority of countries also made full commitments. Morocco and Turkey defined the same market access limitations as on Mode 1.

- Under **Mode 3**, limitations defined are equivalent to those under the previous two sub-sectors. Full commitments were made by Morocco, Ukraine and Turkey. Other countries – with the exception of Pakistan which did not take any commitments – opened up their markets but defined limitations that are summarized in the following chart:

Country	Reinsurance and retrocession Limitations on market access
Egypt	• Foreign and Joint Venture companies are only allowed to carry on business in free zones provided that their activities are confined to the transactions carried out in convert ble currencies. • Foreign branches and agencies are not allowed. • Insurance and reinsurance companies are not allowed to deal with reinsurers not listed in the supervisory authority list. • 5% of the company's treaties must be ceded to African Reinsurance Co.
Jordan	• Foreign capital equity must be under 51% (one year after accession, 100% foreign equity is permitted). • Access is restricted to public shareholding companies constituted in Jordan and to branches of foreign insurance companies.
Saudi Arabia	• Foreign capital equity must be under 60%
Tunisia	• Prior approval of reinsurers wishing to accept reinsurance operations from the Tunisian market. • Appointment of a representative accepted by the Minister of Finance.

For reinsurance and retrocession, Pakistan did not take any commitments ('unbound') on any modes of supply, contrary to Ukraine which did made full commitment ('none').

- Under **Mode 4**, national positions are mainly "unbound", except Turkey and Egypt who did not define any limitations ("none").

3.3.4 4th Sub-sector: Services Auxiliary to Insurance

The fourth sub-sector on insurance pertains to "services auxiliary to insurance" (section 2.7.1). This sub-sector includes[9]:

- Auxiliary services other than intermediation
- Consultancy/ average and loss / risk assessment
- Intermediation (brokerage and agency)
- Actuarial services
- Claim settlement services

None of the benchmarked countries specified details on individual specific professions linked to the sub-sector. Countries that have made major commitments in this sub-sector are mainly new WTO members – Saudi Arabia and Ukraine – and the more advanced countries – in particular Turkey .

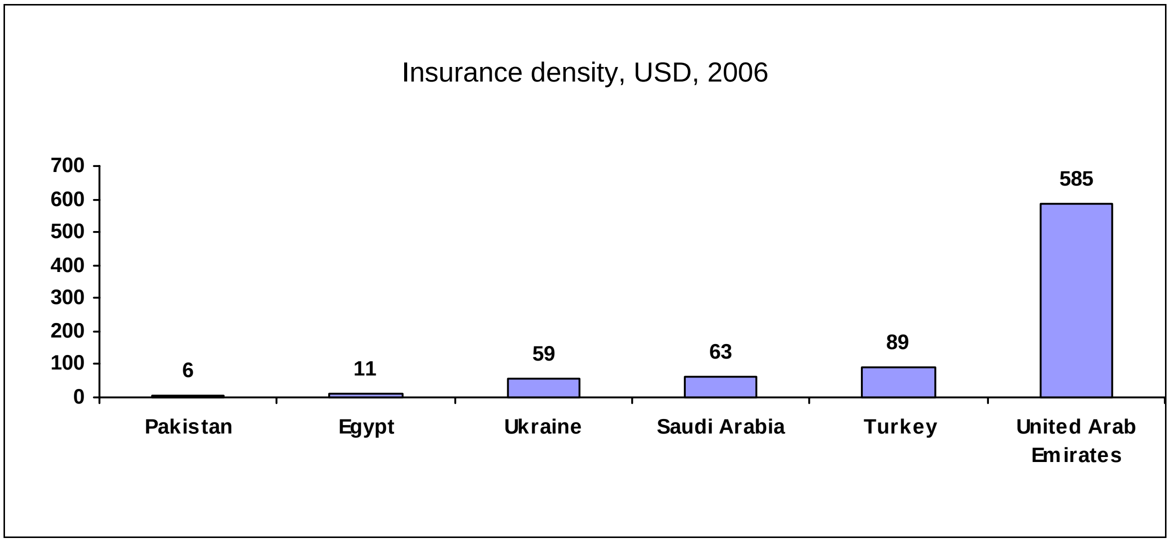
Limitations on market access are related mainly to nationality requirements and foreign equity limitations.

[9] See definitions above.

3.3.5 State of Play of Insurance Sector in the Benchmarked Countries

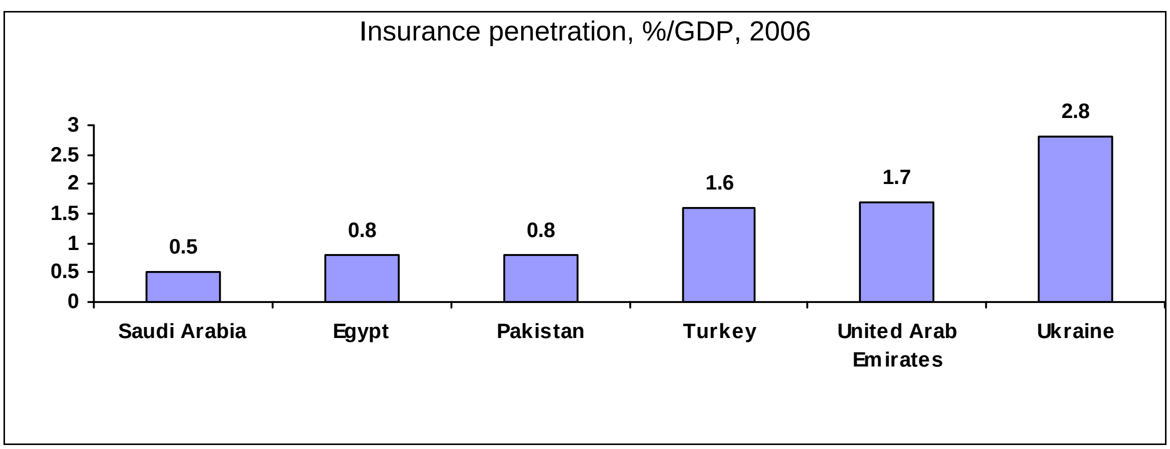
Data on insurance are limited; however, the World Economic Forum (WEF) published the "Financial Development Report" which provides some elements of comparison between 52 countries. Except for Morocco and Tunisia, countries chosen for the benchmarking analysis in the section above were analyzed by the WEF report.

The insurance density is defined as "direct insurance premiums (life and non-life) per capita from domestic sources". The United Kingdom is first in 2006 with insurance density equivalent to USD 6,467. United Arab Emirates ranked 23rd with USD 585 and Poland, 27th with USD 310.



Source: World Economic Forum, Financial development report, 2008

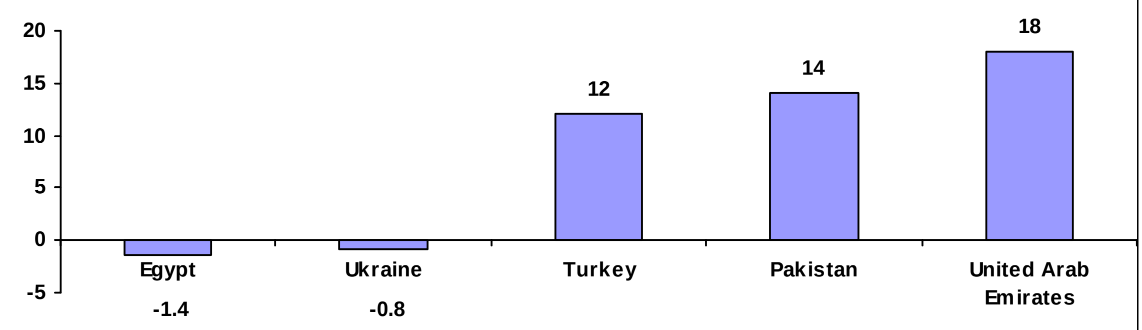
The insurance penetration represents the "direct domestic premiums (life and non-life) as a percentage of GDP". The United Kingdom is still first with insurance penetration equivalent to 16.5% GDP, followed by South Africa at 15.96% of GDP. Insurance penetration in Poland is 3.5% GDP (ranked 26th among 52 countries).



Source: World Economic Forum, Financial development report, 2008

The growth of insurance services was very high in emerging countries. The annual real growth rate of direct premiums reached 52% in India and 19% in Poland in 2006. United Arab Emirates had 18% growth rate, Pakistan 14% and Turkey 12%.

Real growth (%) of direct insurance premiums (life and non-life) based on local currency prices, 2006*



Source: World Economic Forum, Financial development report, 2008
**data non available for Saudi Arabia.*

3.3.6 GATS Commitments on Financial Services vs. Insurance Efficiency

The link between GATS commitments on financial services and insurance efficiency in the benchmarked countries is not immediately apparent.

Ukraine, which is the youngest WTO member, is the most liberal country on insurance services with no restrictions on market access or national treatment at all. A former centrally planned economy, Ukraine has made many efforts on GATS issues to widely open its market to foreign competition.

Among other new WTO members, Jordan and Saudi Arabia are also relatively liberal; their main limitation on market access is on foreign capital equity.

The market and efficiency of insurance services are mainly linked to the GDP of each country and the purchase power of its population – which are higher in the UAE and Turkey – and not that much on commitments taken at the GATS level.

3.4 THE IRAQI INSURANCE SECTOR

3.4.1 Iraq's Economic, Social and Regulatory Environment

Iraq Key Indicators:

Population: 28,9 million
GDP in 2006(PPP): USD 94.1 billion[1]
GDP real growth rate 2007: 5% (est.)
GDP per capita (PPP) 2007: USD 3,600 (est.)

GDP, Composition by sector:

- Agriculture: 5%
- Industry: 68%
- Services: 27%

Even as the situation is improving in Baghdad, the lack of security in the Iraqi territory remains critical. It has some consequences on the economic stability and growth prospect and it is the main obstacle to FDI attraction.

The Iraqi economy still suffers from the adverse effects of the conflict and is in a weak state following a centrally planned policy and a prolonged war period that had affected all infrastructure. Many State-owned enterprises are bankrupt, but remain neither eliminated nor privatized. Prices of many commodities are fixed, and the Iraqi population faces significant pressure and shortages – including in energy, water, food. Around 2 million Iraqi left Iraq for the neighboring countries since 2003.

Under the Coalition Provisional Authority[10], a new legal environment has been defined with the adoption of the Iraqi Constitution. The Company Law from 1997 was amended in 2004, and the New Investment Law was adopted in 2006. The new regulatory environment aims to increase the openness of the Iraqi market to FDI and applies to all economic sector but two: "oil and gas extraction and production" and "banks and insurance companies"[11]. The latter sector is covered by other specific regulations.

Many obstacles to trade and investment remain in Iraq, related to the security situation, corruption, lack of transparency and insufficient law enforcement, as well as the absence of functioning infrastructure. Services are generally very poor in Iraq, which impacts the economy as a whole.

3.4.2 Insurance Industry in Iraq

Before nationalization, many Iraqi and foreign insurance companies worked in Iraq. Following the nationalization in 1964, insurance activities were absorbed into the main state-owned insurance companies.

To date, the insurance market in Iraq has the following 3 state-owned risk carriers:[12]

- Iraq Insurance Company
- National Insurance Company
- Iraq Reinsurance Company

[10] www.cpa-iraq.org/
[11] Coalition Provisional Authority (CPA) Orders include CPA Order No. 40 promulgating the Banking Law, CPA Order No. 18 prescribing Measures to Ensure the Independence of the Central Bank of Iraq, the Central Bank of Iraq Law No. 64 of 1976.
[12] Rebuild Iraq 2007, the 4th Rebuild Iraq exhibition

Iraq has a state-owned Property and Casualty Company, a state-owned Life and Health company, and a state-owned Reinsurance Company, IraqRe. State-owned companies that pursue insurance activities still have the largest portion of the market share in Iraq. IraqRe is one of the largest reinsurance companies in the Middle East.

In addition, over 10 private insurance companies currently function in Iraq, launched in accordance with Law 21 of 1997. In the early 1990s, private insurance companies were established by banks, and licenses were delivered by the Iraqi Central Bank. Five banks created insurance companies: Gulf Commercial Bank, Commercial Bank of Iraq, Bank of Baghdad, Bank of Basra, and Dar Al-Salam Bank.

The annual gross written premium in Iraq is estimated at USD 5 million in 2007[13].

Products offered by insurers in Iraq are limited and focus mainly on house insurance, health and cars. Some companies have begun to launch loan insurance, particularly for the SMEs, but the system is not yet well developed. Also uninsured today is most of the cargo transport, including air and maritime transport.

The Anglo Iraq Insurance Brokers (AII)[14] is established in Erbil (Kurdistan). The company focuses on helping individuals, companies and organizations that need insurance protection, and who operate in challenging or dangerous environments worldwide. AII is a subsidiary of Anglo Arab Insurance Brokers which is authorized and regulated by the Insurance Commission of Jordan.

Other insurance brokers/intermediaries have experience in Iraq risk placements, such as Aon Corporation, Chesterfield Insurance Brokers and Marsh and McLennan Companies.

The reinsurance company, Iraqi Reinsurance Company (IraqRe), has a very low level of activities. This company is a public enterprise which has traditionally enjoyed a monopoly in reinsurance. Formerly under the authority of the Ministry of Finance, it had its headquarters in Baghdad. Its latest published capital (1980) was 300 million ID (Iraqi Dinars). This company is part of the Arab Insurance Federation, headquartered in Cairo.

● Iraqi Company for Bank Guarantees

The Iraqi Company for Bank Guarantees (ICBG) is a new structure supported by the USAID Tijara Program[15]. ICBG will guarantee loans targeted to Iraqi companies that qualify as SMEs. The loans will range from USD 5,000 up to a maximum of USD 250,000, and the guarantee will constitute up to 75% of the loan amount. Guaranteed loans may have a tenure of up to 5 years, with repayment structured to match the cash flows of the business. ICBG's charge for its services is a 2% fee on guarantees and a non-refundable application fee of USD 100.

Loans needed to assist the development of SMEs have been identified as follows:

- Short-term (less than one year) to support working capital; and
- Medium-term fixed asset acquisition loans of 1-5 years.

ICBG intends to develop new loan products in the future.

[13] Rebuild Iraq 2007, the 4th Rebuild Iraq exhibition
[14] For more information: http://www.aii-insurance.net/
[15] More information about the Iraqi Company for Bank Guarantees is available at: www.icbg-iq.com.

• Investment Needs

Iraq needs investors mainly in the following fields:

- Commercial property and casualty insurance including political violence
- Marine and transit insurance
- Group accident insurance and key man life policies

• Iraqi policy rules and regulations in the field of insurance

The Insurance Business Regulation Act was adopted in March 2005. This regulation established the Iraqi Insurance Diwan[16] (Committee), an institution with legal, financial, and administrative independence. The goal of the Diwan is to regulate and oversee the insurance industry to assure its development and to secure an open, safe and transparent financial market. Diwan's mandate also includes supporting the insurance industry in protecting individuals and properties against risks in order to protect the national economy and supporting the accumulation and growth of national savings and investing.

The provisions of the Insurance Business Regulation Act apply to all insurers, reinsurers, agents and intermediaries practicing insurance business in Iraq, regardless of whether they are owned privately, publicly, domestically or by foreign entities. The Diwan sets the overall policy and procedures for the regulation of the insurance industry. It issues licenses to suppliers and is authorized to take action against organizations if they fail to meet the industry standards.

Apart from public and private Iraqi companies, insurance and reinsurance business can be practiced by branches of foreign companies registered in Iraq. However, the Insurance Diwan can allow entities licensed in foreign countries to apply best practice on insurance as defined by the International Association of Insurance Advisors.

Insurers licenced by the Iraqi Insurance Diwan have the right to open branches in all parts of the Republic of Iraq or abroad and to practice cross-border insurance business.

All licensed insurers and reinsurers in Iraq should be members of the "Iraqi Insurance and Reinsurance Association".

• Main constraints affecting the insurance development in Iraq

Insurance providers are not very active in Iraq, due to the following constraints:

- Lack of experience and expertise;
- Insufficient public confidence in the insurance system and compensations;
- The quasi-absence of reinsurance activities due to the war situation; and
- Insufficient capitalization of the insurance companies.

[16] See the website of the Iraqi Insurance Diwan for more information: www.iraqinsurance.org.

3.4.3 Role of the Iraqi Private Sector

It would be useful to assess whether domestic needs for insurance are being met by the existing providers, or whether these needs could be met, or met more efficiently, by foreign insurance services.

The liberalization process of the insurance sector itself requires consultation and coordination with various constituencies, domestic and foreign, public and private. In the insurance sector, these should include at least trade negotiators, the regulatory and supervisory authorities and representatives from the private insurance sector.

3.5 RECOMMENDATIONS ON IRAQI POSITIONS ON GATS INSURANCE SERVICES NEGOTIATIONS

The twin processes of opening up financial markets to foreign competition and of carrying out domestic financial reform should be pursued in tandem. Indeed, it is essential that liberalization in the context of the WTO be seen as part of the domestic reform effort.

3.5.1 Recommendations on Insurance under GATS

Commitments to insurance are needed in areas where further investment is required from trading partners, such as large companies, or in areas where access to high quality services is required by other sectors. In WTO terms, a commitment of "none" is necessary to free up investment potential in Iraq.

The chart below has several parts to it that are necessary to understand for ease of reading[17]:

- **Modes:**
  - Mode 1: Cross-border supply
  - Mode 2: Consumption abroad
  - Mode 3: Commercial presence
  - Mode 4: Presence of natural persons

- **Commitment Categories:**
  - "Unbound": No commitment is defined by the country, giving it the right to change its domestic policy at any time.
  - "None": The country fully opens its service to foreign competition at the multilateral level, without specifying any limitations.

Important options when scheduling GATS commitments include the opportunity to phase in the obligations over time, such as over a period of 5-10 years. This gradual phasing-in gives both the foreign and the domestic investors sufficient time to prepare and adapt, while fully indicating the seriousness of government policy intentions.

Other possible GATS options include limiting the number of foreign suppliers, adding joint-venture requirements, foreign-equity limitations, training requirements, etc.

[17] For a full explanation on reading the services charts expanded across five sectors see: Lewarne, Stephen, Iraq Services Liberalization Study, USAID/Iraq IZDIHAR, November 2007

Position defined by the Sub-Committee on Financial services, April 2009

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
IRAQ 7A. All Insurance and insurance related services (CPC 812**)		
a. Life, accident and health insurance (CPC 8121)	1) None 2) None 3) None 4) None	1) None 2) None 3) None 4) None
b. Non-life insurance services (CPC 8129)	1) None 2) None 3) None 4) None	1) None 2) None 3) None 4) None
c. Reinsurance and retrocession (CPC 81299*)	1) None 2) None 3) None 4) None	1) None 2) None 3) None 4) None
d. Services auxiliary to insurance (including broking and agency services) (CPC 8140)	1) None 2) None 3) None 4) None	1) None 2) None 3) None 4) None

The sub-committee on Financial services includes representatives from the Ministry of Trade, Ministry of Finance, Central Bank of Iraq, Rafidain Bank, Iraqi Banking Association, Insurance Diwan, Iraqi Insurance Company, and the Ministry of Health.

Should be added to the GATS Horizontal section:

- According to the Iraqi Investment Law No. 13 on 2006, Foreign investors cannot own land in Iraq except in Kurdistan (Kurdistan Investment Law No. 4 from 2006)
- Reference to Labor and Social Security Law

Should be respected:

- State Companies Law 22 of 1997
- Companies Law 21 of 1997
- Regulating Insurance operations Law 10 of 2005
- Anti-Money Laundering referred to in article 35 of the third chapter of the regulating insurance operations Law 10 of 2005
- Board of Supreme audit Law 6 of 1990
- Instructions related to those laws

The improvement of the situation – particularly in regard to putting an end to unsafe and unsecured environment – will be the main element in attracting FDI and insurance coverage.

3.5.2 Preconditions to Insurance Liberalization

To be fully accrued, insurance liberalization requires a set of policy and institutional preconditions. Examples of factors that play a significant role in the successful opening up and liberalization of the insurance sector are below:

- The existence of a market. (For instance, in a country where all insurance business is offered by monopoly companies, there is no market at all. If these monopolies are state-owned, there is even no need for control by an independent supervisory authority.) Today's global trend is to eliminate monopoly structures in favor of market structures.
- Regulatory environment, including capital and solvency requirements, and treatment of insurance vis-à-vis the banking and securities sectors (e.g. asset and liability management)[18]
- Financial sector policy framework that would ensure financial stability (indispensable for the insurance business as well as for the insurance supervisory authority). The country's Government and parliament should respect the Core Principles for all financial sectors, namely the ICP[19], Basel[20] and IOSCO.[21] These principles were developed by the International Association of Insurance Supervisors (see Section 3.2.6.)
- Effective supervision of insurance companies (e.g. in the central bank, ministry of finance or independent agency), including effective monitoring and supervising of foreign insurers. There is a need for a special insurance supervisory framework, which has to be implemented by the supervisor.
- Macroeconomic stability
- The absence of any form of financial repression (e.g. taxation or regulatory limitations on investment, and foreign exchange and capital account restrictions)
- The general legal system (civil law, administrative law, penal law, tax law, etc.) must be in place and functional, and must be accountable and reliable.
- Well-developed and functional infrastructure
- Consistent application of the accounting, actuarial and auditing standards. Qualified and experienced actuaries, accountants, auditors and lawyers must be available; general and special statistics have to be accessible; professional associations must be able to assist and protect persons and companies in their different functions for the insurance business; the court system has to be reliable and transparent; etc.
- Well functioning capital markets – indispensable for asset management of the insurance companies

In the absence of these types of prerequisites, the insurance provider is likely to perceive risks to its balance sheet and to its ability to manage and retail new risk products, or to manage risks associated with phenomena such as asset price bubbles.

[18] Udaibir S. Das, Neil Saker and Jahanara Zaman: "Financial Services Liberalization and Insurance: Some Key Considerations"
[19] ICP: Insurance Core Principles. More information available at: www.iaisweb.org/__temp/IAIS_expands_core_principles_for_insurance.pdf
[20] Basel Core Principles on Banking
[21] IOSCO: International Organization of Securities Commissions. www.iosco.org

3.6 IMPACT OF GATS / INSURANCE SERVICES NEGOTIATIONS

The liberalization of the insurance sector is further motivated by the rapid progress and technological innovation in this sector and the growing recognition of the role of insurance and insurance-related services in underpinning a range of economic activities.

The case for liberalization of cross-border transactions and foreign direct investment in insurance services can be argued in different ways.

3.6.1 Economic Impact

Insurance promotes economic efficiency and financial stability among households and firms by transferring risks to entities better equipped to withstand them. It encourages individuals and firms to specialize, create wealth, and undertake beneficial projects they would not be otherwise prepared to consider. For example, life insurance companies mobilize savings from the household sector and channel them to the corporate and public sectors. Insurance may actually lower the total risk the economy faces since insurers have incentives to measure and manage the risks to which they are exposed, as well as promote risk mitigation activities.

Long-term liabilities and stable cash flows allow the development of domestic capital markets and long-term financing of government and infrastructure. A strong insurance industry can relieve pressure on the government budget, to the extent that private insurance reduces the demands on government social security programs. Life insurance can also be an important part of personal retirement planning programs. Insurance supports trade, commerce and entrepreneurial activity in general.

- **Improvement of customers services and value**

Foreign insurers and intermediaries can bring additional and possibly innovative marketing and product competition to the national market. This deepens and broadens the domestic financial services market. It can meet the growing demands and give firms and individuals greater choice and better service.

- **Additional external financial capital**

Foreign insurers can often be part of a much larger international insurance group. Their risk pooling activities might provide better pricing and investment stability.

- **Increased domestic savings**

Participation by foreign insurers can strengthen the insurance market, mobilize personal savings, and enable higher national savings rates, and thus contribute to national economic development.

- **Tax revenue**

Participation by foreign insurers can expand business activity in the market, broaden the tax base, and increase government tax revenue.

- **Improvement in the quality of insurance regulation**

Foreign insurers and intermediaries can help to disseminate knowledge about good regulatory practices internationally, contributing to the process of domestic regulatory reform.

This in turn can help to attract much more foreign direct investment, not only for the insurance sector but also for other relevant industries.

- **Help develop financial services infrastructures**

Improved financial services infrastructure leads to a more diversified economy and the ability to export services and manufactured goods.

- **Insurance promotes financial stability for both households and firms**

Insurance services transfer and pool risk, thereby encouraging individuals and firms to specialize, create wealth and undertake beneficial projects they would not otherwise consider.

- **Life insurance companies mobilize and channel savings**

They mobilize savings from the household sector and channel them to the corporate and public sectors. As the maturity of life insurance liabilities is generally longer than the maturity of bank liabilities, life insurers can play a large role in the equity and bond markets. In addition, their portfolios are less prone to liquidity crises. Countries with higher savings rates tend to show faster growth.

- **Strong insurance can relieve pressure on government budget**

Because life insurance can play an important role in personal retirement planning and health insurance programs, and to the extent that private insurance reduces demands on government social security and health programs, it can relieve pressure on the government budget. Private insurance reduces the demand on state resources and affects the size of contingent fiscal liabilities. Insurance mobilizes national savings, especially longer-term savings, through contractual savings schemes.

- **Insurance supports trade, commerce and entrepreneurial activity**

Given the heavy reliance of all economic activities (e.g. manufacturing, shipping, aviation, medical, legal, accounting and banking services) on risk transfer, insurance services play a key supporting role. More broadly, insurance can give investors the financial confidence to make investments, since they know they will be able to recover their investment.

- **Insurance may lower the total risk faced by the economy**

This risk reduction arises from the portfolio diversification and incentives to better measure and manage the risks to which they are exposed, as well as to promote risk mitigation activities.

3.6.2 Social Impact

Insurance companies provide protection against vulnerabilities (e.g. poor, health, accidents and disasters). Insurers and reinsurers can help promote better safety standards which reduce output losses to society.

The basic rationale for supervision of insurance services includes protection of consumers, establishment of long-term reliability of insurance services providers, and improvement of market efficiency. The common objective of insurance supervision is to protect the policy holder, the insured, the beneficiary of an insurance contract, as well as a third party who may have a right of direct claim against an insurer under certain insurance agreements, by making sure that an insurance company is in a position to meet its obligations at any time.

- **Transfer of technological and managerial know-how**

Foreign insurers and intermediaries can bring innovative and more efficient means of gathering and evaluating information and claims experience and thus contribute to the development of better local markets.

- **Creation of beneficial domestic spillovers**

Beneficial domestic spillovers include the addition of more and higher quality jobs, increased quality of backward and forward linkages with businesses, and social loss reduction.

- **Improved individual's quality of life and increased social stability**

Insurance sector supports this through, for example, individual health and life insurance, pension funds and workers' compensation.

- **Public provisions can be key**

It is the case in sectors which are non profitable but benefit large populations (both rural and low income) and where private interest in operating these areas is lacking. Examples include agricultural insurance.

3.6.3 Environmental Impact

Environmental risks can be covered. It is also possible to oblige FDI to be "environmental friendly" even if regulations do not exist. In advanced countries, insurance can promote environment protection.

4. THE BANKING SECTOR

4.1 DEFINITIONS

An **asset** is any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, office equipment, real estate, a car, and other property. On a balance sheet, assets are equal to the sum of liabilities, common stock, preferred stock, and retained earnings. From an accounting perspective, assets are divided into the following categories: current assets (cash and other liquid items), long-term assets (real estate, plant, equipment), prepaid and deferred assets (expenditures for future costs such as insurance, rent, interest), and intangible assets (trademarks, patents, copyrights, goodwill).[22]

Asset Management (also called money management, investment management) is the process of managing all kinds of investments, budgeting, financing and taxes. An important part of asset management takes lace at pension funds, mutual funds and insurance companies.

Bailing out: Financial support by governments to banks or other financial firms that are in financial distress and dace the risk of bankruptcy, possibly disrupting the economy.

A **bank** is an organization, usually a corporation, chartered by a state or federal government, which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes, makes loans, and invests in securities; collects checks, drafts, and notes; certifies depositor's checks; and issues drafts and cashier's checks.

- **Retail and commercial banking** refers to banking services open to the households and small companies. In contrast, **corporate banking** focuses on large, corporate and institutional clients ('wholesale clients') only.

Bond: An interest-bearing security issued by governments, banks or companies, which obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount.

Brokerage houses and brokers within financial firms are intermediaries between a buyer and a seller and usually charge a commission. A broker who specializes in stocks, bonds, commodities, or options acts as an agent and must be registered with the exchange where the securities are traded (i.e. requires a license).

Commercial banking: There are different kinds of retail banks. The biggest group are the commercial banks, which service both households and small and medium enterprises (SME's) and wholesale clients. Typical services of commercial banks to households and SMEs are acceptance and repayment of deposits from which banks make commercial, consumer and mortgage loans. In addition, they provide different kind of payment services like bank cards, credit cards and e-banking. The services offered to big corporate clients are similar although the type of services provided by corporate banking divisions of financial institutions is much more extensive.

Credit risk: the chance that the debtor will not repay the loan or other form of debt (e.g. a bond).

[22] This definition can be found on InvestorWords.com (www.investorwords.com/cgi-bin/getword.cgi?id=273&term=asset)

A **deposit** is money transferred into a customer's account at a financial institution. A honor is the acceptance of a check or a credit card transaction by a bank for payment, depending on the amount of funds or credit available in relation to the payment amount. It is a sum of money lodged at a bank or other depository institution. The money can be withdrawn immediately or at a agreed time ('time deposits'). Sometimes deposits earn interests, especially if it concerns a time deposit.

Derivative: A contract which specifies the right or obligation between two parties to receive or deliver future cash flows, securities or assets, based on a future event. Financial firms earn fees and are paid premiums for designing and trading in derivatives. Derivatives are speculative contracts, whose value is derived from the future trade in an underlying commodity, security or other financial asset. Examples of derivatives are futures, options and swaps.

Equities: Ordinary shares, i.e. ownership interests possessed by shareholders in a corporation, as opposed to bonds.

Equity finance: in this form of finance, financiers buy a share in the company or project and are thus a partial owner. Their returns depend on the success of the firm/project.

Future: A future is a contract to buy or sell a specific amount of commodity, a currency, bond or stock at a particular price on a stipulated future date. A future contract obligates the buyer to purchase or the seller to sell, unless the contract is sold to another before settlement date, which happens if a trader speculates to make a profit or wants to avoid a loss.[23]

Institutional investors: Investors with large amounts of funds under their management, such as pension funds, insurance companies, mutual funds and bank trust departments.

An **interest rate** is the fee charged by a lender to a borrower for the use of borrowed money, usually expressed as an annual percentage of the principal; the rate is dependent upon the time value of money, the credit risk of the borrower, and the inflation rate. Here, interest per year divided by principal amount, expressed as a percentage is also called interest rate. Low interest rates means credit is cheap and therefore more people tend to take out loans

A **loan** is an arrangement in which a lender gives money or property to a borrower, and the borrower agrees to return the property or repay the money, usually along with interest, at some future point(s) in time. Usually, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan (though modern capital markets have developed many ways of managing this risk).[24]

A **lease** is a written agreement under which a property owner allows a tenant to use the property for a specified period of time and rent.

Option: The right, but not the obligation, to buy or sell a specific amount of a given stock, commodity, currency, index, or debt, at a specified price during a specified period of time. For stock options, the amount is usually 100 shares. Each option has a buyer, called the holder, and a seller, known as the writer. An option is a contract between two parties that offers the buyer of the option the right to buy (or to sell) an asset (e.g. a financial security) from (to) the contracting party at an agreed upon price, within a certain period of time.

Principal: Amount of a loan, separate from interest to be paid.

[23] This definition can be found on InvestorWords.com (www.investorwords.com/cgi-bin/getword.cgi?id=2134&term=futures)
[24] This definition can be found on InvestorWords.com (www.investorwords.com/cgi-bin/getword.cgi?id=2858&term=loan)

Reserve requirements: requirements on the amount of funds a bank has to hold in reserve against deposits made by their customers. This money has to be held in the vaults of the bank, or the respective central bank.

Securities: Bonds, shares or stock, and derivatives.

Securitization: Securitization involves the packaging of debt (like loans or mortgages), which generates predictable cash flows, in a pool and selling these to investors in the form of securities. Securitization is a relatively new but fast growing form of debt financing. Over a period of 20 years, securitization became one of the largest sources of debt financing (or credit provision instrument) in the US and is also on the rise in Europe and Asia.

Swap: Simple currency swaps (swaps can be done with varying degrees of complexity) involve two parties exchanging specific amounts of different currencies, as well as the interest payments on the initial cash. Often one party pays a fixed interest rate while the other pays a floating exchange rate. At the maturity of the deal the principal amounts are paid back. It allows the party, which is to receive currency in the future to calculate exactly what to receive and avoiding exchange rate fluctuations. Swaps are also used to tap into new capital markets, sell currencies on the international markets and borrow funds

Syndicated loan: loans for large, possibly risky commercial or government projects provided by a group of banks and other financial institutions, called a bank consortium or a syndicate.

Underwriting: Introducing new shares on the stock market and assuming the risk of buying the new issue of shares or bonds from the issuing corporation or government entity and reselling them to the public; the underwriter guarantees to buy any shares of a share issue which are not bought by the public, which creates public confidence.

4.2 BANKS IN THE WORLD ECONOMY AND AT THE WTO

4.2.1 Trends in the Banking Market

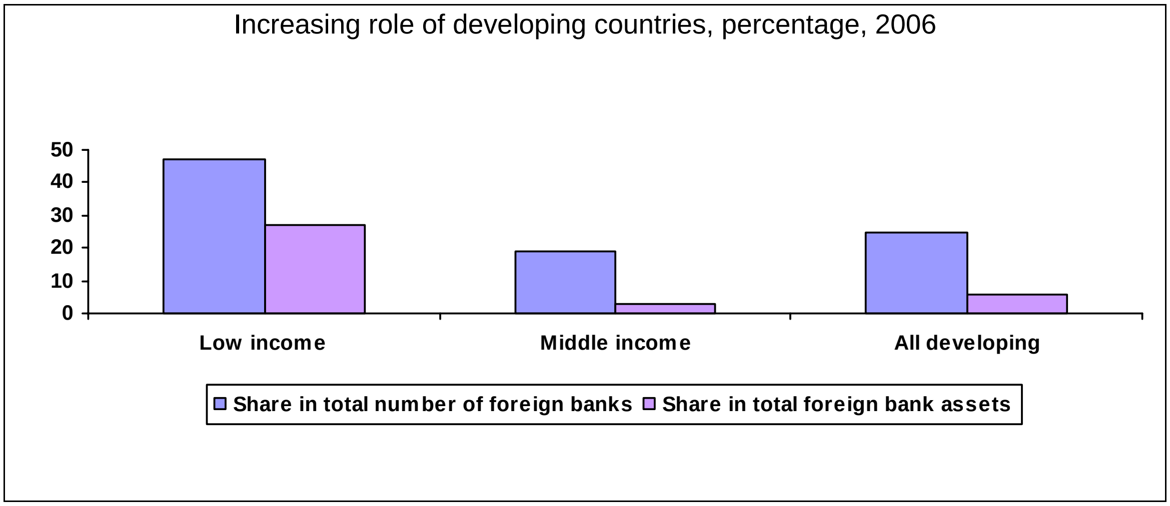
The global banking industry experienced strong growth in the last few years. Worldwide assets of the largest 1,000 banks grew by 16.3% between 2006 and 2007 to a record USD 74.2 trillion. This follows a 5.4% increase in the previous year.

EU banks held the largest market share (53%) in 2006-2007, up from 43% in 1999-2000. The growth in Europe's share was mostly at the expense of Japanese banks whose share decreased by over a half during this period (from 21% to 10%). The share of US banks remained relatively stable at around 14%. Asian and European countries accounted for most of the remaining share[25].

Over the last few years, countries have exhibited greater willingness to schedule WTO commitments under commercial presence (Mode 3) than under cross-border supply (Mode 1). These commitments were made during a period that witnessed considerable changes in the commercial presence of foreign banks in different countries.

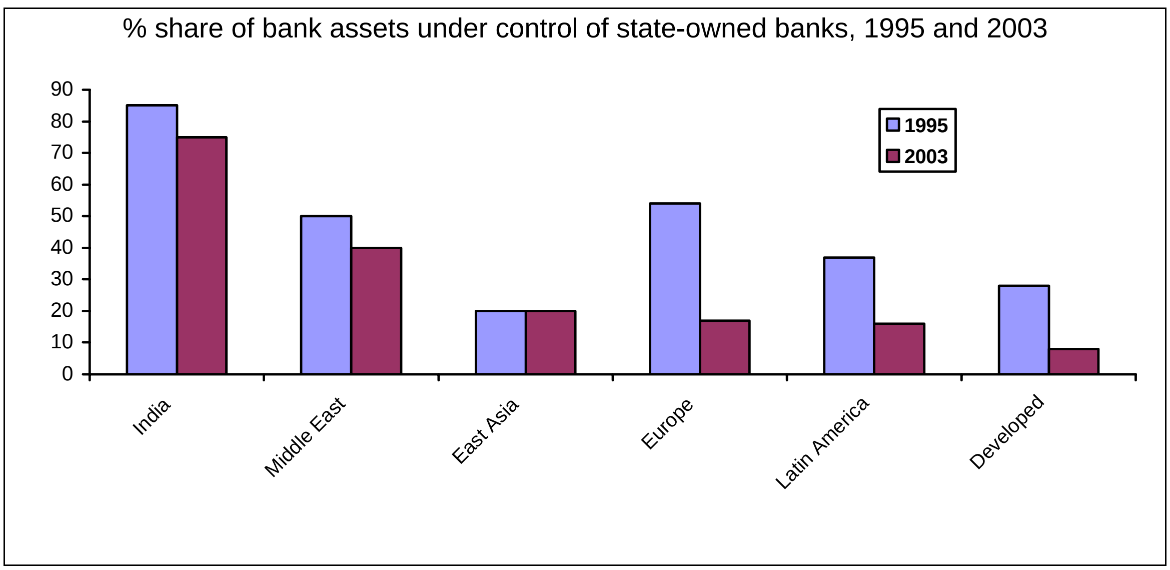
Developing countries remain a growing market. Foreign-owned banks hold a substantial market share in those economies, particularly in the low-income countries (see graph below).

[25] IFSL Research: Banking 2008, February 2008.



Source: Global Development Finance, 2006, the World Bank

Despite the recent trend towards greater liberalization of financial services, the market share of banks owned by the state remains considerable, particularly in the Middle East.



Source: World Development Report 2005

- **Factors behind the growth of international financial services**

Three factors are particularly important in the recent growth of international financial services transactions:

1. **Changing market structures.** Competition between different types of financial institutions has increased rapidly in recent years – especially in regard to disintermediation, putting bank lending in direct competition with capital markets as a

source of financing. Merger and acquisition activity has increasingly been aimed at strategically positioning firms for global operations.

2. **Domestic regulations.** Relaxation of restrictions on the provision of financial services (especially banking), increasingly pro-competitive stances by regulatory authorities, and liberalization of international capital flows have decreased the national segmentation of the financial services market.

3. **New technologies.** Improved telecommunications, computing, and electronic commerce have begun to revolutionize the provision of services, both wholesale and retail, reducing costs and allowing access to a wider range of service consumers. These developments have particularly important implications for the liberalization of cross-border trade, as the Internet gives firms more opportunities to deal directly with consumers in foreign markets and to manage much greater doses of information in real time.

4.2.2 Role of Banks in Economic Development

- **Banks function as intermediaries**

Banks contribute to the operation and growth of the economy through various roles, including that of intermediaries and providers of payment settlement facilities. Banks play the key role of financial intermediaries, bringing together borrowers and lenders (savers or depositors). This role rests on the careful management of credit, liquidity and interest rate risk. Because banks are funded primarily by depositors, they has an obligation to ensure that the risk which depositors' funds are exposed to is minimized.

The banking system ensures the efficient allocation of resources in an economy through lending to businesses and individuals using sophisticated credit scoring systems. Banks also facilitate financial transactions through the settlement of funds and the provision of credit to consumers, and give access to funds and facilities for saving and investment. Banks must continually upgrade their technologies, products and services in order to facilitate economic transactions and economic growth, while maintaining the focus on the minimization and management of risk. Banks have developed systems to facilitate the transfer of funds, so that the money can be transferred almost instantaneously, and with the minimal risk to the parties involved.

Bank failures expose the banking system to systemic risk, which is the risk that all depositors panic and attempt to withdraw their funds. The strain on liquidity would lead to a collapse of the entire system. Therefore the sound management and regulation of all banks in the system is crucial.

- **Banks provide financial services for businesses**

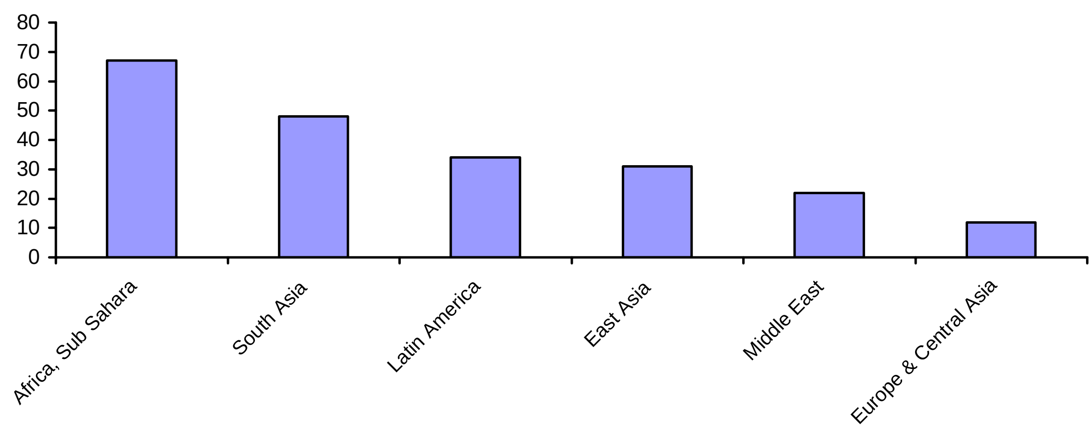
In order to operate effectively, businesses require that high quality financial services are provided at a competitive cost. A well-developed and efficient financial services sector can provide a range of services that enables business to manage their risks and ensures the availability of required capital on the terms and conditions tailored to their needs.

An efficient financial sector ranks at the core of "infrastructures" indispensable for the functioning of the modern economies.[26] In addition to intermediation between lenders and borrowers, the financial sector allows firms to diversify and manage risk, allocates capital across the economy, and provides many of the technical services necessary for operation of both domestic and international commerce. In countries with weak economies, the development of a strong financial sector is now recognized as one of the key ingredients of sustainable development.

Access to financial services varies sharply around the world. In many developing countries less than half the population has an account with a financial institution, and in most of Africa less than one in five households do. Lack of access to finance is often the critical mechanism for generating persistent income inequality, as well as slower growth.

In spite of the recent evolution of banking, there are still many inadequacies of finance in developing countries, and many businesses still have little or no access to finance.

% share of firms reporting lack of access to finance as major or severe obstacle to operation and growth of their business



Source: World Development Report 2005

4.2.3 Linkages between Banks and Other Sectors

Banks are linked to all sectors of economy, from traditional rural activities to value-added businesses. With well-developed financial markets, investors – both companies and individuals – can be provided with the necessary funds for their projects.
Banks matter for economic growth. Banks that mobilize and allocate savings efficiently, allocate capital to endeavors with the highest expected social returns, and exert that the borrowing firms have sound governance that fosters innovation and development. Banks that instead funnel credit to connected parties and the politically powerful discourage entrepreneurship and impede economic development.

4.2.4 WTO and Banking Services

Banking includes all the traditional services provided by banks such as acceptance of deposits, all types of lending, and payment and money transmission services. Other financial

[26] Pierre Sauve and James Gillespie: Financial services and the GATS 2000 Round

services include trading in foreign exchange, derivatives and all types of securities, securities underwriting, money broking, asset management, settlement and clearing services, provision and transfer of financial information, and advisory and other auxiliary financial services.

The Financial Services Agreement (FSA) under the GATS, effective since March 1999, provides a legal framework for cross-border trade and market access in financial services, as well as a mechanism for dispute settlement.

GATS articles promote cross-border capital flows and capital account liberalization. However, the GATS does not obligate its members to fully liberalize their capital accounts in the context of making financial services commitments. Members are allowed to maintain restrictions in scheduled sectors.

Banking services liberalization should be considered a three-dimensional process, involving the following steps:

1. Capital account liberalization
2. Domestic financial deregulation
3. Internationalization of financial services

Although financial services often involve capital flows, the FSA has no authority to regulate capital account transactions or override a country's measures of capital controls. These measures could be used by a country to impose restrictions on the capital flows associated with the cross-border trade in a financial service, though the trade in the service itself may be free/unregulated. Activities of the central banks or other government authorities carrying out monetary and exchange rate policies are likewise outside of the GATS jurisdiction.

In this aspect, the FSA is consistent with the IMF Articles of Agreement, which currently give IMF no jurisdiction over capital account policies of its members. This arrangement allows countries that have signed on the GATS in financial services to continue engaging their capital control measures and practices.

The GATS requires "only limited liberalization of capital movements in the context of financial services trade liberalization. Commitments to cross-border trade liberalization (mode 1) require the liberalization of capital inflows and outflows that are an "essential part of the (liberalized) service". Regarding commercial presence, the GATS rules require the liberalization of capital inflows which are "related to the supply of the service" without specifying whether this refers only to capital and equipment to "set up shop" or whether this also includes capital inflows related to service provision[27]. GATS does not require the liberalization of capital outflows related to the supply of services by foreign establishments[28].

A key provision of the Financial Services Agreement is what is known as the "prudential carve-out", an exception from the GATS rules giving governments the right to protect the financial system and its users. This provision preserves the right of governments to maintain or introduce measures for prudential reasons, including for the protection of investors, depositors, policyholders or persons to whom a fiduciary duty is owed by a financial service supplier.

[27] See GATS Article XVI, Footnote 8. What constitutes an "essential part of the service" for mode 1 trade and an "inflow related to the supply of the service" under mode 3 trade is not further specified.

[28] This provision is also likely to constrain inflows: if the repayment of a loan from abroad arranged through a foreign affiliate can not be made due to controls on capital outflows, this is likely to discourage such loans, regardless of whether a generous or narrow interpretation of GATS provisions regarding inflows is applied.

The financial services deal also brings the financial sector under other general important disciplines of the WTO. For example, the dispute settlement and enforcement provisions of the WTO also apply in the case of FSA. A unique feature of financial services is the assurance of the participation of financial experts in dispute settlements panels involving financial matters.

Some articles of the GATS agreement play a role in increasing the risks of destabilizing financial flows related to foreign financial service providers. GATS Article XI.1 for example, does not allow countries to restrict international transfers and payments for current financial transactions that are related to services in sectors that were liberalized under the Agreement[29]. That means, first of all, that a country cannot prevent profit repatriation by Foreign Service providers in sectors in which a country has made GATS commitments.

4.2.5 The Annex on Financial Services: Prudential Services

The Annex on Financial Services, adopted as an integral part of the GATS at the end of the Uruguay Round, handles some of the issues arising from the special characteristics of financial services. The Annex defines financial services, sets out the sector's key parameters, identifies certain areas which are excluded from the application of the GATS, and clarifies the scope of government authority in regulating the sector.

The Annex exempts the following from GATS rules:

- The functions of the central bank or monetary authority, whether supplied by the Government or by a private entity acting for the Government;
- Activities related to monetary and exchange rate policies, and those of any entities using government financial resources, including statutory social security and public retirement plans;
- Measures taken for prudential reasons, provided that they are not undertaken to avoid commitments or obligations under the GATS.

Other features include:

- An exemption to protect from disclosure any confidential or proprietary information in the possession of public entities;
- Rules for the recognition by a member of the prudential rules of another member;
- A requirement that panels for disputes on prudential issues and other financial matters shall have the necessary and relevant expertise;
- Definitions of the covered financial services.

Article 2 of the Annex specifies the "prudential carve out" provision, allowing measures for prudential reasons such as protecting investors and depositors, and ensuring the stability and integrity of the financial system, even if such measures do not conform with GATS rules. Prudential considerations add a unique dimension to trade liberalization in financial services, affirming that commitments to liberalize trade do not negate the right of governments to

[29] Art. XI.1.: "Except under the circumstances envisaged in Article XII, a Member shall not apply restrictions on international transfers and payments for current transactions relating to its specific commitments."

enact and maintain measures protecting the integrity of the financial system. However, it is understood that prudential measures should not be abused to circumvent neither GATS rules nor the commitments made under GATS. In the case of a financial services trade dispute, the WTO panel is assumed to have the necessary financial expertise.

Article 3 specifies how countries can make agreements to accept each other's prudential measures.

When competition affects economic stability, normally the appropriate safeguard is sound prudential regulation or good corporate governance, rather than limiting competition. Research[30] indicates that many countries do not have the necessary regulatory and supervisory systems to address many new problems that arise from the competition. Moreover, regulators' and supervisors' instruments are mostly assessing the risks of financial instability, with too little focus on the impact of competition on universal access, quality of service to the poorer clients and good financing of small and medium-sized producers.

The main interest of countries participating in WTO is ensuring that prudential regulations satisfy the core principles of nondiscrimination, transparency, and fairness to facilitate the promotion of businesses in the international marketplace.

4.2.6 The GATS Agreement includes a Model for Swift Liberalization

The financial services have received a special separate text belonging to the GATS agreement to promote their quick and full liberalization through several means: the Understanding on Commitments in Financial Services. If a WTO member agrees to open up its financial services according to the "Understanding"', then it has to make the commitments as described below, with a right to schedule exemptions. All industrialized countries have accepted the Understanding as the basis of their commitments and see it as a minimum for others, but only very few developing and emerging market countries have joined in. In total only 30 countries have opened up their financial services according to this Understanding.

- **A model of extensive market access**

The Understanding (Part B.) provides a set of market openings to be applied by WTO members. Such market opening relates to:

1. Cross-border trade (mode 1) for a few insurance services and for services in support of banking and investment (e.g. advice);
2. The right of consumers to purchase abroad (mode 2) financial services mentioned for mode 1 as well as all other banking or financial services;
3. The right of establishment and expansion by all foreign service financial providers (mode 3), including through acquisitions, and the right of governments to impose some conditions;
4. The temporary presence of managers and specialists in financial services (mode 4).

Moreover, any new conditions to the above market opening may not be more restrictive than those already existing (standstill in restrictions - Part A.).

[30] M. Canoy, M. van Dijk, J. Lemmen, R. de Mooij & J. Weigand, Competition and Stability in Banking, CPB (Netherlands Bureau for Economic Policy Analysis) Document nr. 015, December 2001.

Members can include this set of market opening in their schedule or still choose to develop their own GATS schedule in which they open up some (financial) services to foreign suppliers.

- **Erosion of exemptions from GATS rules**

The Understanding (Part. B.1.- 2.) invites WTO members not to apply exemptions which are allowed by the GATS agreement to financial services. This means that regulations on procurement of financial services by public entities should be in conformity with the principles of national treatment and most favored nation while this is not necessary according to Art. XIII. The Understanding also requires each WTO member to list in its schedule monopoly rights provided to financial services and strive to eliminate them (while they are allowed under GATS Art. VIII) as well as list and eliminate financial activities conducted by a public entity for the account of the government (allowed in the Annex on Financial Services Art. 1.(b).(iii)).

- **Eliminating all barriers to trade in financial services**

The Understanding (Part B.10.) also requires members to remove any obstacle to foreign financial services that remains even if all the provisions of the GATS agreement have been respected. Following on, the Understanding provides guarantees that foreign financial service suppliers meet the following criteria:

- Are permitted to introduce any new financial service (Part B.7.),
- Are not hindered in the transfer of information (Part B.8.),
- Have access to payment and clearing systems operated by public entities (except lender of last resort facilities) (Part C.).

Foreign financial companies see the lack of such guarantees as (non-tariff) barriers to their trade.

4.2.7 Regulations and Their Importance: Elements to Consider

Poorly functioning banking systems impede economic progress, exacerbate poverty, and destabilize economies. In the absence of clear rules, an economy may suffer from greater uncertainty and, as such, may be more vulnerable to financial crisis. Adequate prudential regulation and supervision is needed for all financial institutions that act as intermediaries and manage risk if the stability of the financial sector is to be strengthened. The interdependence between macroeconomic and financial stability increases in a liberalized environment. Besides, prudent regulation and supervision helps improve governance of the financial institution and the detection of problems at an early stage thereby allowing more time to apply corrective measures. In addition, appropriate regulation and supervision increases the stability of the financial system[31].

The process of liberalization involves the removal of obstacles to market access in three distinct areas:

[31] Stichele, M.V., (18 May 2006), Comments and assessment on the Plurilateral GATS request on financial services: Senior Researcher, SOMO

- Domestic financial liberalization allows market forces to work by eliminating controls on lending and deposit rates and on credit allocation and, more generally, by reducing the role of the state in the domestic financial system.
- Capital account liberalization removes controls on both the movement of capital in and out of a country and also the restrictions on the convertibility of the currency.
- Internationalization of financial services eliminates discrimination in the treatment of foreign and domestic financial service providers, and removes barriers to the cross-border provision of financial services.

It is important that liberalization is undertaken as part of a broad policy that is carefully managed and sequenced and not only takes account of these three aspects but also other related policy issues as well:

- Supervision and regulation: While internationalization has been shown to be a crucial factor in economic development, experience shows that it is vital to strengthen the supporting institutional framework, particularly the supervisory and regulatory functions of the state.
- Quality of financial system: The reduction of controls on international capital movements can lead to lower costs of capital, but the speed and extent of capital account liberalization should be determined by the quality of the financial system. Otherwise resulting inflows or outflows of capital can result in financial distress.
- Monetary policy: Foreign firms entering a market may introduce new financial instruments, resulting in more movement of capital and funds across borders. The conduct of monetary policy and indeed the extent of liberalization need to be reviewed in the light of the actual or potential impact on the behavior of money demand.

Many countries have systems to regulate and supervise banks, and other financial services, in order to prevent that the risks taken by the financial industry would have negative effects on society. However, regulation and supervision also have a decisive influence on the development and structure of the financial services sector in each country. This explains why the structure of the banking industries continues to differ greatly across countries.
Many developing countries have undergone a transition from hands-on to more indirect regulation. Governmental fixing of interest rates and control over allocation of credit is seen as the cause of inefficiency, unfair lending and services, and low interest rates that encourages capital flight. Under pressure from the World Bank, the IMF and the international liberalization paradigm, controls on interest rates were relaxed, restrictions on capital flows and foreign financial service providers removed, the banking system restructured and given more capital.

At the same time, a financial "safety net" was promoted by which each country would have prudential regulation and supervision, a lender of last resort and deposit insurance. However, deregulation was not always accompanied by good supervision and regulation, and was undermined by corruption. Even if good standards of regulation and supervision are in place, many developing countries have been struggling with lack of qualifications, sufficiently equipped personnel, and support by the legal system[32].

Regulatory reforms of financial liberalization generally include the following[33]:

[32] H. Onno Ruding, The transformation of the financial services industry, Financial Stability Institute (Bank for International Settlements), Occasional paper nr 2, March 2002,
[33] Patrick LOW, Director, Economic and Statistics Division, WTO: "Trade in Financial Services", ITC Round Table on Trade in Services, December 8, 2006.

- Developing a diversified financial system
- Privatizing state-owned institutions
- Allowing entry of foreign institutions
- Intensifying competition
- Avoiding excessive restrictions on activities and ownership opportunities
- Providing an appropriate legal, regulatory, enforcement, and accounting environment

The challenges raised by the entry of foreign banks in domestic markets are the following:

- Licensing policies and coordination with home country supervisors
- Supervision of local establishments of large international banks
- Likelihood of concentration within the banking system (anticompetitive practices, too-big-to-fail institutions)

The International Monetary Fund, the World Bank, and other international agencies have developed extensive checklists of “best practice” recommendations that they urge all countries to adopt. Most influentially, the Basel Committee on Bank Supervision recently revised and extended the 1988 Basel Capital Accord. The first pillar of these new recommendations develops more extensive procedures for computing minimum bank capital requirements. The second pillar focuses on enhancing official supervisory practices and ensuring that supervisory agencies have the power to scrutinize and discipline banks. The third pillar envisions greater market discipline of banks through policies that force banks to disclose accurate, transparent information. Although considerable debate surrounds the validity of these pillars, over 100 countries have already stated that they will eventually adopt Basel II.

Commitments to core principles in banking for effective supervision puts liberalization on track as these propose the minimum standards for licensing, ownership and liquidation, in addition to rules and requirements for both domestic and cross border activities. The principles carefully consistent with multilateral obligations and commitments, and to date many governments and central banks over the world have adopted these standards. Apart from these standards, adequate entry and exit rules, deposit insurance schemes to provide safety nets, know how and technology developments, together with market based and international monitoring help to strengthen the financial sector and prepare it for internationalization of its trade[34].

- **Central bank**

The independence of the central bank from political interference must be established. An independent authority is assumed to be more likely to enforce the governing rules. Banking supervisory bodies often reside within the central bank, and even if they do not, the degree of independence of the central bank is correlated with the degree of independence from political interference of the supervisory agency.

A supervisory agency should regulate banks activities and provide insurance to small depositors. This is necessary in order to prevent the instability that inevitably results even in pre-liberalized financial sectors.

The public interest approach stresses that market failures – information and contract enforcement costs – interfere with the incentives and abilities of private agents to monitor and discipline banks effectively. From this perspective, a powerful supervisory agency that

[34] SOMO, Challenges for the South in the WTO Negotiations on Services, 2005

directly monitors and disciplines banks can improve bank operations[35]. The public interest approach assumes that there are market failures and official supervisors have the incentives and capabilities to ameliorate those market failures by directly overseeing, regulating, and disciplining banks.

To alleviate market failures and improve bank performance, governments may restrict foreign-bank ownership, limit bank entry, restrict bank activities, rigorously supervise banks, and perhaps direct credit through government-owned banks. However, corruption is positively linked with greater denial of entry applications, more regulatory restrictions on bank activities, greater official supervisory power, and more extensive government ownership of banks.

Regulatory practices should include: development and maintenance of honest and impartial legal systems; mandating strict information disclosure practices; establishment of limits on the rate at which banks can lend or on the rate of increase in their exposure to riskier sectors (so-called “speed bumps”); requiring diversification of bank portfolios; strict capital and liquidity standards that account for different degrees of risk exposures; strict and transparent accounting of non-performing loans; and rigorous mandatory balance sheet adjustment once a loan is determined to be non-performing.

- **GATS articles affect the management of the financial industry and instability risks**

GATS rules are oriented to protect foreign, in practice Northern, financial firms against governmental measures that limit their expansion and profit making. As a result, some GATS articles affect measures that have been traditionally taken by the developing countries to avoid abuses and risks from national or foreign financial firms, or to strengthen the domestic financial industry before opening up to foreign competition.

Article XVI on market access specifies six categories of measures which governments are not allowed to carry out for (financial) services on which they have made GATS commitments. Governments sometimes use the prohibited measures in the financial sector (which is central to its economy) for economic, sovereignty or prudential reasons. Art. XVI prohibits:

- Limitations on the number of service suppliers (Art. XVI.a.) or service operations (Art. XVI. c.)
- Limitations on the value of service transactions or assets (Art. XVI.b.),
- Measures that require specific types of legal entity or joint ventures (Art. XVI.e.), and
- Limitations on foreign ownership capital (Art. XVI.f.). Governments can only carry out such limitations for committed financial sectors if they specify them as exemptions in the GATS "schedules" of their country.

Article XVII on national treatment requires that foreign financial firms be treated not less favorably than national firms. One of the implications of this GATS principle is that official support for national financial firms in order to avoid financial instability, or to restructure after a financial crisis, also needs to be given to foreign financial firms. There could be a ‘chilling effect’ if national support is not given because of potential conflicts with Art. XVII.

Licensing, qualification requirements and technical standards are part of ensuring the integrity of the financial sector in some countries. They are being addressed by **Article VI.4-5 on domestic regulation** to ensure that they are not more burdensome than necessary nor

[35] James R. BARTH, Gerard CAPRIO Jr., Ross LEVINE: “bank regulation and supervision – what works best?”, The World Bank Development Research Group – Nov 2001. Policy Research Working Paper 2725

trade restrictive. As the latter principles still need to be developed, current requirements and standards in financial services can be attacked as trade restrictive.

Interestingly, during the previous GATS negotiations, some countries have tried to safeguard their freedom to take the regulations they see as necessary. They made explicit references in their GATS 'schedules' to their prudential policy in order to be protected against any GATS provision or commitment.

- **International supervisory and regulatory bodies**

Basel Committee on Banking Supervision (BCBS)[36]: The BCBS provides an important forum for regular cooperation among its 13 member countries on banking supervisory matters. The BCBS formulates broad supervisory standards and guidelines and recommends statements of best practice in banking, in the expectation that bank supervisory authorities will take steps to implement them.

International Organization of Securities Commissions (IOSCO)[37]: IOSCO brings national regulators together to develop and promote standards to regulate markets dealing in securities and futures. It also develops standards for effective surveillance of international securities markets. It provides mutual assistance to promote a rigorous application of the standards and effective enforcement against offences in order to safeguard the integrity of securities' markets.

Committee on Payment and Settlement Systems (CPSS)[38]: The CPSS monitors and analyses developments in domestic payment, payment settlement and clearing systems as well as in cross-border schemes by Central Banks and the private sector. The CPSS deals with the different systems that settle the transfer nationally and worldwide of several trillion dollars per day from interbank and other large value payments, transactions in securities (including lending of securities) and derivatives, foreign exchanges, central banks, and retail banking activities. The CPSS formulates broad supervisory standards and guidelines for best practice, in the expectation that bank supervisory authorities will take steps to implement them at national level. It has developed a common set of universal international standards for payment systems: the "Core Principles for Systematically Important Payments Systems", published in January 2001. It has so far failed to work out currency taxes such as a Tobin tax to slow down the billions of international speculative capital flows.

CPSS-IOSCO Task Force on Securities Settlement Systems[39]: The CPSS and the Technical Committee of IOSCO set up a task force to jointly issue recommendations for securities settlement systems.

BCBS Transparency Group and IOSCO TC Working Party on the Regulation of Financial Intermediaries[40]: Together both bodies made recommendations for public disclosure of trading in securities and derivative activities of banks and securities firms. They complement the surveys by both Committees on disclosure of trading and derivatives by banks and securities firms. Such surveys have been published annually since 1995. Both initiatives form part of a continued effort to encourage banks and securities firms to provide market participants with sufficient information to understand the risks inherent in their trading and derivative activities.

[36] http://www.bis.org/bcbs/index.htm
[37] http://www.iosco.org
[38] http://www.bis.org/cpss/
[39] http://www.bis.org/cpss/index.htm; http://www.iosco.org
[40] http://www.bis.org/bcbs/index.htm; http://www.iosco.org

- **Bank of International Settlements**

The Bank for International Settlements (BIS)[41] is an international organization that was established in Basel (Switzerland) in 1930 and serves as a bank for central banks. The BIS currently has 55 member central banks[42]. The aim of the BIS is to promote international exchange of expertise and cooperation on national and international monetary and financial issues. The different Committees of the BIS have agreed upon some arrangements to regulate and supervise particular banking issues in order to achieve financial stability. The committees determine their own agenda and operate independently from the BIS' governing bodies. The Basel Committee on Banking Supervision is the most important committee.

- **Developing banking supervisory cooperation and standards: the "Basel Committee"**

The Basel Committee on Banking Supervision started in 1974 as a forum for regular cooperation between banking supervisors of 10 Western countries (G-10) and exists currently of supervisory authorities and central banks of 13 developed countries[43]. It is referred to as the "Basel Committee" and has subgroups that deal with particular banking supervision issues (e.g. securitization). The Committee consults and exchanges know-how with supervisors of other countries that have important financial industries. It has a strong focus on strengthening prudential supervisory standards in so-called, non member, emerging markets. The Committee also has close links with the international banking industry, assuming that these links help to forge consensus. There are no particular consultative bodies with other actors of society but consultative papers often request for comments, by any one, by a certain deadline and informal consultations take place with private banks.

- **Arrangements to supervise nationally and internationally operating banks**

The Basel Committee has gradually developed common international standards of banking supervision that are to be implemented through national legislation. It has increasingly become a standard-setting body on all aspects of banking supervision and best banking practices. The Committee, however, has no international means of enforcement. The standards aim to prevent erosion of regulation when national authorities want to attract foreign investment in financial services or protect their financial services industry against foreign competitors. The Committee is concerned about intensification of international competition in countries with insufficient supervision.

The key instruments developed by the Basel Committee are:

- **The Basel Committee's Concordat embodying principles of effective banking supervision**: in 1975, after a crisis in the foreign exchange markets, the Concordat established the principle that the home country authorities would supervise some establishments of worldwide operating banks. The concordat was strengthened several times, for instance in 1983, and in the aftermath of one of the biggest collapses of a

[41] http://www.bis.org

[42] The list of members are: Algeria, Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, the Republic of Macedonia, Malaysia, Mexico, the Netherlands, New Zealand, Norway, the Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, the United Kingdom and the United States, plus the European Central Bank.

[43] The 13 countries are: Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, United Kingdom, and United States.

financial company in history, the Bank of Credit and Commerce International (BCCI) in 1991.

In particular, the Concordat stipulates that branches of international banks are to be supervised by the authorities of the parent bank. Supervision of subsidiaries and other activities of banks' foreign establishments is to be done jointly by the host and home country authorities. In 1990, recommendations were made to improve information exchange between host and home supervisors because it was often inadequate[44].

- **The Basel Committee's Minimum Standards for the supervision of international banking groups and their cross-border establishments**: these standards, agreed upon in 1992, provide the right of the home country supervisors to obtain data needed for the consolidated supervision of international banks and strengthen the host countries' authority to impose restrictive measures if the minimum standards are not met. Such prudential measures include imposing deadlines for meeting acceptable standards, obliging foreign branches to be restructured so as to have sufficient capital reserves, and even closing banking establishments[45].
- **The Basel Committee's 25 Core Principles for Effective Banking Supervision**: these 25 core principles were agreed upon in September 1997 after the G-10 also consulted authorities of "emerging markets". They represent the basic elements for an effective banking supervisory system in each country. Supervisory authorities throughout the world were invited to endorse the principles. By endorsing, countries agreed to have their supervisory arrangements reviewed against the principles.

- **"Basel I": a major international standard of banking supervision**

The supervisors of the Basel Committee agreed in 1988 on the amount of financial reserves they require all banks to put aside when providing loans. This agreement about the "capital requirements" by supervisors to their banking industries was called the "Basel Capital Accord" and was updated several times to avoid misunderstandings and major gaps. The aim was to address "credit risks" in order to avoid that banks would go bankrupt by a series of bad loans that were not being repaid. Because of competition, internationally operating banks were holding as little capital reserves as possible. The danger was that the banks' reserves were becoming too low to recover from major non-performing loans.

The basic principles of the Basel Accord are:

- A bank has to put aside 8%, or less, of the amount of the loan as a reserve, depending on the assessment of the risks of a loan.
- Banks have to make assessments of how far a loan will not be repaid based on three categories, i.e. governments, banks and corporations. For instance, a bank that gives a loan to a government in an OECD-country has to put no money aside because the risks of non-repayment are none according to the Basel principles. According to Basel I, banks have to put aside 8% of all loans provided to any corporation. In practice, however, loans to large companies are assessed to have less risks of non-performance and are therefore provided at lower interest rates by banks compared to loans to small and medium-sized companies.

Banks that give loans to other banks have to distinguish between short term loans (up to 12 months) and long term loans. According to Basel I, the risk of providing short term loans to banks is much less (only 20% risk) than long term loans (100% risk in developing countries). Because the financial crisis in Asia (1997-98) was caused amongst others by short term

[44] "Information flow between banking supervision authorities", April 1990: produced by the Basel Committee in collaboration with the Offshore Group on Banking Supervision.
[45] IMF, Managing Risks to the International Banking System, in Finance and development, December1996

loans given by Western banks to local banks in South East Asia, the Basel Committee has started to draw up new principles according to which banks have to assess the risks of a loan.

By 1994, the original Basel Accord was being implemented in over 100 countries. The Accord Implementation Group was set up by the Basel Committee to share experiences and promote implementation.

- **"Basel II": a significant reform that affects the banking industry worldwide**

In May 2004 the Basel member countries reached a consensus on a new capital Accord, dubbed Basel II, that introduced important reforms in the supervision of the banking sector related to credit risk management. The objective of Basel II is to improve the stability and efficiency of the banking system by enabling banks to hold capital reserves based on a more sophisticated risk assessment of their credit provisions to others. The new accord is to be implemented by the end of the year 2006.

Basel II represents a response to the increasing trend for banks to transfer their asset risks to outside investors through securitization. Basel II introduced a securitization framework to assess the risks associated with this and to determine the resulting regulatory capital requirements. Again, the accord offers a standardized approach, and the option to use an internal rate based approach. The capital reserve requirements depend on the approach used[46].

Introduction of capital requirements for operational risk, the risk associated with the internal processes of the bank. Basel II offers 3 different approaches, varying in complexity, to assess these risks.

It has to be noted, however, that the exact implementation process is unclear. Already in the preparation phase, there was much controversy surrounding the new accord. Proposals proved to be heavily influenced by international operating banks, for instance through the Institute of International Finance.

In the European Union, the European Commission intends to implement the entire new accord into a third European Capital Adequacy Directive (CAD3), which will make the Basel II principles applicable to all European credit institutions.

As for less developed countries, the Basel Committee acknowledged that the adoption of Basel II might not be the first priority of supervisors in those countries. They should focus more on the implementation of pillars 2 and 3 of the Accord (supervisory process and market discipline), rather than on the complex reserve requirements of pillar 1.

The main elements of the new Basel II accord are based on three pillars:

1. **Pillar 1**: **new risk assessment mechanisms and resulting capital requirements**. New categories are introduced on how loans to governments, banks and corporations need to be assessed, as well as minimum capital reserve requirements. Different approaches to measure credit risk include:
    - "Standardized approach" to measure the risks of a borrower, where banks for their credit assessments depend on corporate rating agencies that assess solvencies; or
    - A bank can use its own risk evaluation systems (internal rate based approach) and comply with certain criteria and information disclosures, e.g. sufficient auditing.

[46] Martina Metzger, Basel II - Benefits for Developing Countries, BIF Working Paper Nr. 2, 2004.

2. **Pillar 2: Changes in the supervisory processes**
   - Banking supervisors receive more authority and scope to intervene and monitor risk assessment systems of banks. Banking supervisors of the home countries and host countries of banks are required to improve their cooperation and information exchange and make concrete plans thereto, and decrease the burden of banks to implement supervisory requirements[47].

3. **Pillar 3: Market discipline through better disclosure of information by banks**
   - Banks have to publicize more differentiated data. The assumption is that when data indicate bad banking behavior, e.g. to many risks loans, the clients and investors still react and put pressure on the bank.

- **International Organization of Securities Commission (IOSCO)**

Since 1983, IOSCO has been bringing national securities regulators together to cooperate and exchange experiences in order to maintain "just, efficient and sound" securities markets. It has been developing principles and practices for sound regulation of securities markets and financial firms, and standards for effective surveillance of international securities markets. It provides mutual assistance to promote application of the standards and effective enforcement against offences.

IOSCO is recognized as being the international standard setter for the securities industry although it has no other mechanisms to enforce its resolutions, statement and standards than screening regulations, naming and shaming, and cooperation.

The ordinary members include securities regulators of over 100 jurisdictions. “Self regulating bodies” such as the stock exchanges (which are in private corporate hands) can become affiliate members or even ordinary members if coming from a country without governmental securities regulatory bodies. IOSCO has several committees according to regions and then development of the securities' market, including an Emerging Markets Committee. The importance of IOSCO became clear during the South East Asian financial crisis in 1997- 98. The “emerging markets” had seen the cross-border trade in their securities grow very rapidly, amongst others by deregulation, and trading by Western financial firms and mutual funds. When uncertainty about South East Asia’s financial stability hit the securities markets, high volatility in securities trading followed from investors and banks selling off their shares in search of short term protection against losses. The financial firms that traded in securities gained from the fees of increased trading but the resulting volatility in exchange rates and devaluation in the South East Asian currencies and companies shares was so severe that it contributed to the economic and social downturn of those countries.

In 1998, IOSCO issued the “IOSCO principles”, a document with 30 principles which securities regulators committed themselves to implement, aiming at:

1. Protecting the investors,
2. Ensuring fair, efficient and transparent markets,
3. Reducing systemic risk.

These ‘Objectives and Principles of Securities Regulation’ have been recognized as key standards for a stable and well functioning securities market and were updated in 2002.

[47] BIS, High-level principles for cross-border implementation of the new Basel Capital Accord, press release, 18 August 2003; see “The Set of principles for cross-border application of the New Accord” (BIS, August 2003).

Promoting these principles, which are not legally binding, is one of IOSCO's highest priorities, supported by a task force, and self-assessment mechanisms for its members.

The IOSCO principles were strengthened by the adoption of the "Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and Exchange of Information" ("IOSCO MOU"). This agreement should enhance the enforcement of the principles and avoid the use of securities for criminal purpose. Many IOSCO members could not yet subscribe to the IOSCO MOU because they could not implement all the Principles. At the end of 2004, only 26 out of the 105 IOSCO members had signed the MOU. On the other hand, some members already had such cooperation agreements at bilateral level ("bilateral MOUs").

IOSCO followed the general line by supervisors and regulators after the financial crisis that more disclosure of information can avoid a financial crisis. For instance, in 1999 IOSCO issued "Recommendations for public disclosure of trading and derivatives activities of banks and securities firms" in cooperation with the Basel Committee on Banking Supervision.[48]

In September 2003, IOSCO issued a Statement with general principles to guide securities regulators in addressing conflicts of interest faced by financial analysts[49]. This was a response after scandals had uncovered that securities analysts were advising investors to buy securities from companies which were clients from other divisions in the financial firm of the securities analysts (conflict of interest). Although IOSCO had recognized the role of regulators in deterring manipulation and unfair trading practices in its 1998 principles, IOSCO's statement came after the stock market bubble, inflated by this conflict of interest practice, had burst and many investors had lost their money and confidence in the stock market. At the end of 2004, IOSCO announced the plan to press offshore markets to cooperate better with securities regulators. After frauds, the role of offshore markets in securities markets became apparent, and IOSCO expressed its concern that those offshore markets were standing in the way of effective market supervision. Only one offshore centre has actually signed the MOU (Jersey) but other offshore centers are pressed to follow in order to enable information exchange[50].

The implementation of IOSCO's broad and general principles was left to the national authorities and the financial industry itself. One measure of implementation was the total split between activities of securities analysts and investment banking, thus undoing some aspects of consolidation.

- **International Standards on Accounting and Auditing**

The IASB is a privately funded accounting standard setter based in London. Board members have a variety of functional backgrounds from nine countries. They aim at developing a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general financial statements. In addition, the board cooperates with national accounting standard setters to achieve convergence in accounting standards around the world. The IASB is responsible for developing and approving the International Accounting Standards (IAS).[51]

[48] Basel Committee on Banking Supervision, Recommendations for public disclosure of trading and derivatives activities of banks and securities firms, Basel committee Publications, nr. 60, October 1999.
[49] Financial Stability Forum, Statement by Roger W. Ferguson, JR., Chairman of the Financial Stability Forum, International Monetary and Financial Meeting, 21 September 2003
[50] Andrew Parker, Watchdogs seek better assistance, FT. December 13th 2004
[51] http://www.iasc.org.uk

4.3 EXAMPLES OF WTO MEMBERS

Banking commitments have been made by more than by 110 WTO members. Eight WTO member countries have been chosen for the purposes of this benchmarking study. The reasons for choosing them are summarized in the table below.

Country	Neighborhood	New WTO member	Transition countries	Advanced countries	Unstable environment
Egypt	●			●	
Jordan	●	●			
Pakistan					●
Saudi Arabia	●	●			
Turkey	●			●	
United Arab Emirates	●	●		●	
Ukraine		●	●		
Vietnam		●	●		

Of the countries analyzed in this section's study, five are relative newcomers to the WTO: United Arab Emirates (April 1996), Jordan (April 2000), Saudi Arabia (December 2005), Ukraine (May 2008), and Vietnam (January 2007). Others acceded to the WTO in 1995-1996.

Date of accession of the benchmarked countries:

Country	Date of WTO accession
Egypt	30 June 1995
Jordan	11 April 2000
Pakistan	1 January 1995
Saudi Arabia	11 December 2005
Turkey	26 march 1995
United Arab Emirates	10 April 1996
Ukraine	16 May 2008
Vietnam	11 January 2007

Some of the benchmarked countries have made MFN exemptions. These countries are Pakistan, which offered reciprocity to members that have made similar commitments, and United Arab Emirates, which required authorization for new branches since the market is already saturated. The most liberalized country in this sector is the newest WTO member, Ukraine, which defines no limitation to market access or to national treatment for all its banking activities.

The GATS classification system divides "Banking and other financial services" into 12 sub-sectors. (Refer to Section 2.1.7 for the full summary of GATS classification.) The most important modes of supply of services for banking activities are Mode 3 (commercial presence) and Mode 1 (cross-border supply). The following sections discuss examples presented by the benchmarking countries in terms of WTO commitments they undertook.

4.3.1 1st Sub-Sector: Acceptance of Deposits and Other Repayable Funds from Public (A)

- Under **Mode 1**, only four countries did not define any limitation to market access ('none'): Jordan, Ukraine, the United Arab Emirates (UEA) and Turkey. Others took no commitments ("unbound").

Mode 3	A: Acceptance of deposits and other repayable funds from the public Limitations on market access
Egypt	• Ownership of more than 10% of the issued capital of any banks requires approval of the CBE Board of Directors • Economic needs tests for foreign bank branches • Foreign banks who want to set up representatives office should not have branches in Egypt + their activities should be limited to studies
Jordan	• Establishment of commercial presence and conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Bound for the volume of deposits + other repayable funds mobilized by foreign banks in Pakistan at the date of the FS Agreement (Dec 1997) • 49% capital equity limitation • License delivery based on same criteria than Pakistani banks (max USD 11,5 million) • Permission of the Central Bank for holders of more than 5% ownership • Representation of foreign nationals on the Board of Directors allowed in proportion to their share holdings • Bound for the number of foreign branches operating at the date of the FS Agreement (Dec 1997).
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%.
Turkey	• No natural person or legal entity other than those authorized under the Banks Act or under specific regulations may accept deposits • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contr bution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state-owned banks. • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices.

	• Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

On limitations to national treatment under Mode 1, only the UEA took full commitments ("none"). Jordan stated that "real property may not be mortgaged to banks outside Jordan" and other countries put "unbound".

- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).

- **Mode 3**, is where most limitations to market access are found. All the benchmarked countries defined some limitations, with the exception of Ukraine. The chart below summarizes the national positions of the benchmarked countries.

  Main restrictions to **market access** are linked to authorization / licenses system – measures that restrict or require specific types of legal entity or joint ventures through which a supplier may supply a service; and limitations on the participation of foreign capital in terms of the maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

  Limitations to **national treatment** are not much developed on Mode 3. Egypt required training of local employees in branches of foreign banks. Pakistan does not allow the transfer of shares led by foreign national and foreign financial institutions in their locally incorporated subsidiaries without the approval of the Central Bank. Vietnam defined the amount of total assets for foreign commercial banks, JV banks and 100% foreign owned banks and finance companies.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section". Only Egypt required the General Manager to have banking experience in Egypt of no less than 10 years for banks established in the country.

4.3.2 2nd Sub-sector: Lending of All Types (B)

- Under **Mode 1**, four countries put no limitations to market access (Jordan, Ukraine, Turkey and UAE), others put "unbound".

- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).

- Under **Mode 3**, only Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	B: Lending Limitations on market access
Egypt	• Ownership of more than 10% of the issued capital of any banks requires approval of the CBE Board of Directors • Economic needs tests for foreign bank branches • Foreign banks who want to set up representatives office should not have branches in Egypt + their activities should be limited to studies
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues

Mode 3	B: Lending Limitations on market access
Pakistan	• Bound for the total volume of foreign banks' assets in Pakistan at the time of the FS Agreement (Dec 1997) • Acquisition of management control of existing public banks should be approved by the Central Bank (case by case)
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Factoring companies and consumer credit companies must be established in the form of a join stock company and required the permission of the Undersecretariat of Treasury • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Limitations to **national treatment** are not much developed on mode 3. Egypt required training of local employees in branches of foreign banks. Pakistan established that "lending by companies controlled by non residents is subject to the borrowing entitlements of the foreign companies as determined by foreign exchange rules applicable from time to time".

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section". Only Egypt required the General Manager to have banking experience in Egypt of no less than 10 years for banks established in the country and Pakistan required prior clearance of the Central Bank for employment of foreign nationals.

4.3.3 3rd Sub-sector: Financial Leasing (C)

- Under **Mode 1**, four countries put no limitations to market access (Egypt, Jordan, Ukraine and UAE), others are “unbound”. Turkey required the permission of the Undersecretariat of Treasury for leasing contracts related to cross border leasing transactions (idem on Mode 2). It defined also a limitation to national treatment on mode 1, saying that “the annual rent regarding cross border leasing may not be less than the Turkish Lira equivalent of USD 25.000” (idem on Mode 2).

- Under **Mode 2**, positions are either “none” (no limitation to market access) or “unbound” (no commitment).

- Under **Mode 3**, only Egypt and Ukraine did not define any limitation to market access (“none”). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	C: Financial leasing Limitations on market access
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Shareholding of foreign companies must not exceed 51% of total capital to undertake operational leasing including cross border leasing
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Foreign leasing companies can be established in the form of 1.) a join stock company and 2.) through establishment and opening of a branch of a lessor. 2.) requires permission of the Ministry of State. Lessors can engage financial leasing transactions. • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities

Mode 3	C: Financial leasing Limitations on market access
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Limitations to **national treatment** on Mode 3 were developed only by Turkey only who established that "the minimum paid-in capital required for opening a branch by a foreign lessor is more than that of establishing a company".

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.4 4th Sub-sector: All Payments and Money Transmission Services (D)

- Under **Mode 1**, five countries put no limitations to market access (Egypt, Jordan, Ukraine, the UAE and Turkey), others are "unbound".
- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).
- Under **Mode 3**, Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	D: All payment and money transmission services Limitations on market access
Egypt	• Ownership of more than 10% of the issued capital of any banks requires approval of the CBE Board of Directors • Economic needs tests for foreign bank branches • Foreign banks who want to set up representatives office should not have branches in Egypt + their activities should be limited to studies
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues

Mode 3	D: All payment and money transmission services Limitations on market access
Pakistan	• Foreign bank branches operating in Pakistan at the conclusion of the FS Agreement negotiation (Dec 1997) and banks permitted to undertake all payment and money transmission services
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Transfer of foreign exchange abroad must be carried out through the banking system • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.5 5th Sub-sector: Guarantees and Commitments (E)

- Under **Mode 1**, four countries put no limitations to market access, or "none" (Jordan, Ukraine and the UAE). Turkey, under this mode, stated "none except that performance bonds with the transaction specified in the State trade law must be obtained from a bank operating in Turkey." Other countries are "unbound".

- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).

- Under **Mode 3**, Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	E: Guarantees and commitments Limitations on market access
Egypt	• Ownership of more than 10% of the issued capital of any banks requires approval of the CBE Board of Directors • Economic needs tests for foreign bank branches • Foreign banks who want to set up representatives office should not have branches in Egypt + their activities should be limited to studies
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Guarantees and commitments in foreign currency and those undertaken in favor or on behalf of non resident to be governed by foreign exchange laws
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and prohibit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Only Jordan defined a limitation on **national treatment** on mode 1 saying that "real property in Jordan may not be mortgaged to banks outside Jordan".

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none". Only Egypt required the General Manager to have banking experience in Egypt of no less than 10 years for banks established in the country – limitation to market access- and Jordan required branches of foreign banks to have a resident regional manager – limitation to national treatment.

4.3.6 6th Sub-sector: Trading for own Account or for Account of Customers (F)

- Under **Mode 1**, two countries put no limitations to market access or "none": Ukraine and the UAE. Jordan, under this mode, stated "none except for derivative products, unbound". Other countries are "unbound".
- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).
- On **Mode 3**, Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	F: Trading for own account or for account of customers Limitations on market access
Egypt	• Ownership of more than 10% of the issued capital of any banks requires approval of the CBE Board of Directors • Economic needs tests for foreign bank branches • Foreign banks who want to set up representatives office should not have branches in Egypt + their activities should be limited to studies
Jordan	• Access restricted to: banks and financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company • Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• The issue, sale and purchase of foreign currency and travelers cheques is allowed to commercial banks licensed as authorized dealer. • Foreign equity up to 50% after delivery of license from the State Bank to undertake sale and purchase of foreign currency and traveler cheques • Transmission of permissible funds including foreign currency can be affected only through authorized banking chanels. • Commercial banks incorporated in Pakistan and the branches of foreign banks in operation at the date of the FS Agreement allowed to operate in call money market
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Foreign exchange dealers: permission of the Undersecretariat of Treasury + status of join stock + precious metals intermediaries can operate in Istanbul Gold Exchange after the delivery of a license by the Undersecretariat of Treasury and after being registered by the Istanbul Gold Exchange. • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices

Mode 3	F: Trading for own account or for account of customers Limitations on market access
	• Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section". Only Egypt required the General Manager to have banking experience in Egypt of no less than 10 years for banks established in the country – limitation to market access.

4.3.7 7th Sub-sector: Participation in Issues of all kinds of Securities (G)

- Under **Mode 1**, three countries put no limitations to market access – "none" (Egypt, Ukraine and the UAE). Other countries are "unbound".
- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment). Jordan put "unbound except for issuance and public offer of securities outside Jordan by foreign services providers abroad and for management by services suppliers outside Jordan of assets which are not traded on Amman Financial Market or otherwise traded in Jordan".
- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	G: Participation in issues of all kinds of securities Limitations on market access
Jordan	• Access restricted to: banks and financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company • Access restricted to licensed banks through affiliated companies or separate accounts • Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339

Mode 3	G: Participation in issues of all kinds of securities Limitations on market access
	• Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Branches of foreign banks in operation as on FS agreement and banks incorporated in Pakistan permitted to arrange and participate in any public issue and underwriting of securities up to 30% of the total paid-up capital of the issue or 30% of their respective paid-up capital whichever is less • All investments in shares made as a consequence of underwriting commitments must be reported forthwith to the Central Bank, and are required to be disinvested within 30 days of the investments approved by the Central Bank
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• The establishment of Securities intermediary institutions, investment corporations, mutual funds and other capital marker institutions can operate in the capital market such as clearing and custodial houses, rating and auditing institutions with the permission of the Capital Market Board. The opinion of the Undersecretariat of Treasury is required for mutual funds or to increase funds capital. The establishment of branches and agencies by securities intermediaries requires the Board's permission • Intermediary institutions, investment corporations, portfolio management companies and rating agencies can only be established in the form of a join stock company • Establishment of branches and representative offices of foreign non bank intermediary institutions is not permitted • Permission of the Board for operations of all capital market institutions and banks • Rating agencies should have a know-how agreement with an international rating agency recognized by the Board. The share of international relating agency shall not be less than 25% of the capital of the domestic rating agency • Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	• None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section".

4.3.8 8th Sub-sector: Money Broking (H)

- Under **Mode 1**, five countries put no limitations to market access – "none"- (Egypt, Jordan, Turkey, Ukraine and the UAE). Other countries "unbound".
- Under **Mode 2**, most of the positions are "none" (no limitation to market access).
- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). Pakistan applied reciprocity. The positions of other benchmarked countries are summarized in the chart below:

Mode 3	H: Money brocking Limitations on market access
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.9 9th Sub-sector: Asset Management (I)

- Under **Mode 1**, six countries put no limitations to market access – "none"- (Egypt, Jordan, Saudi Arabia, Turkey, Ukraine and the UAE). Saudi Arabia put "bound for cash or portfolio management, all forms of collective investment, custodial depositary and trust services to be provided by institutions to institutional clients including collective investment schemes, upon accession". Other countries "unbound".

- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment). Saudi Arabia put "none except for pension fund management".

- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	I: Asset management Limitations on market access
Jordan	• Access restricted to: banks and financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company • Access restricted to licensed banks through affiliated companies or separate accounts • Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Entities licensed by the Central Bank and banks incorporated in Pakistan can undertake portfolio management services through their locally incorporated subsidiaries set up for the purpose which shareholding in such subsidiaries up to 51% • Management of foreign currency assets will be governed by the foreign exchange regulations applicable from time to time
Saudi Arabia	None except: • These financial services are to be provided by commercial banks except asset management may be provided by non commercial banking financial institutions under the capital market Law. • Unbound for pension fund management • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except:

Mode 3	I: Asset management Limitations on market access
	• Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Saudi Arabia defined a limitation on **national treatment** under mode 2: 'none except for pension fund management'

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none". Turkey précised that " the majority of members of the Board of Directors of an investment corporation must have Turkish nationality".

4.3.10 10th Sub-sector: Settlements and Clearing Services for Financial Assets (J)

- Under **Mode 1**, four countries put no limitations to market access – "none" (Egypt, Turkey, Ukraine and the UAE). Other countries "unbound".
- Under **Mode 2**, positions are either "none" (no limitation to market access) or "unbound" (no commitment).
- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). Saudi Arabia did not take any commitments. The positions of other benchmarked countries are summarized in the chart below:

Mode 3	J: Settlement and clearing services for financial assets Limitations on market access
Jordan	• Access restricted the depository center at the Amman Bourse of Securities and to the Central Bank of Jordan for all other financial instruments • Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• All commercial banks are required to be members of the clearing system operated/ approved by the Central Bank to effect interbank settlements

Mode 3	J: Settlement and clearing services for financial assets Limitations on market access
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60% • Unbound for all domestic settlement and clearing services provided exclusively by SAMA
Turkey	• Only Takasbank AS can provide securities settlement and clearing services
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Jordan defined a limitation on **national treatment** under mode 3: "access restricted to the Depositary Center at the Amman Bourse for Securities and the Central Bank of Jordan for all other financial instruments".

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.11 11th Sub-sector: Advisory and Other Auxiliary Financial Services (K)

- Under **Mode 1**, six countries put no limitations to market access – "none" (Egypt, Saudi Arabia, Turkey, Ukraine, the UAE and Vietnam). Other countries "unbound".
- Under **Mode 2**, most of the positions are "none" (no limitation to market access).
- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	K: Advisory and other auxiliary financial services Limitations on market access
Jordan	• Access restricted to: banks and financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company • Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Banks incorporated in Pakistan will be permitted to undertake financial and advisory services through subsidiary companies set up for this purpose with shareholding up to 100% provided that transactions undertaken/ services provided by such subsidiaries do not create any financial obligations whether contingent or otherwise on the balance sheet of the holding company or otherwise
Saudi Arabia	None except: • These financial services are to be provided by commercial banks except that advisory services may be provided by non commercial banking financial institutions under the capital market Law. • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contribution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to authorization / licenses system, measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.12 12th Sub-sector: Provision and Transfer of Financial Information (L)

- Under **Mode 1**, six countries put no limitations to market access – "none" (Egypt, Saudi Arabia, Turkey, Ukraine, the UAE and Vietnam). Jordan "unbound" and Pakistan précised "unbound except for the provision of publicly available data and financial information on corporate entities by institutions providers having commercial presence in Pakistan".
- Under **Mode 2**, most of the positions are "none" (no limitation to market access).
- Under **Mode 3**, Egypt and Ukraine did not define any limitation to market access ("none"). Pakistan did not take any commitments (unbound). The positions of other benchmarked countries are summarized in the chart below:

Mode 3	L: Provision and transfer of financial information Limitations on market access
Jordan	• Establishment of commercial presence + conduct of new activities restricted to public shareholding companies constituted in Jordan and branches and subsidiaries of foreign banks • Only banks may undertake activities CPC 81115 to 81119 (except 81117) + 811199 and 81339 • Licenses required to undertake investment trusteeship, investment management, financial consultations, financial brokerage, depository, management of primary issues
Pakistan	• Unbound
Saudi Arabia	None except: • Commercial presence of banks is permissible in the form of locally incorporated joint stock companies or as a branch of an international bank. • Non-Saudi participation in a JV is permitted up to 60%
Turkey	• Authorization required by the Council of Ministers for foreign companies to open first branch of a bank + establishment in the form of join stock company. License delivered by the Undersecretariat of Treasury to start collecting deposits and start operating. • Undersecretariat of Treasury can limit and proh bit additional branch establishment • Establishment of domestic and foreign banks and first branch of non resident banks are subject to same minimum capital requirement • Acquisition or transfer of shares representing a ratio equal or higher to 5, 20, 33 and 50% of capital is subject to the authorization of the Undersecretariat of Treasury
UAE	• No limitations for the establishment of representatives offices • Unbound for new licenses of operating bank branches • Unbound for the expansion of activities of existing financial entities
Vietnam	None except: • Foreign credit institutions are required to adopt specific forms: representative office, branch, commercial JV bank with foreign capital contr bution not exceeding 50% of chartered capital, JV financial leasing company, 100% foreign invested financial leasing company, 100% foreign invested finance company and 100% foreign owned banks are permitted. • 5 years after the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from natural person with which the bank does not have any credit relationship to a ratio of the branch's paid-in capital according to a specific schedule • Vietnam may limit equity participation by foreign credit institutions in Vietnamese state owned banks • For capital contr bution in the form of buying shares, the total equity held by foreign institutions and individuals in each Vietnam Joint stock commercial bank may not exceed 30% of the bank chartered capital, unless authorized by Vietnam's competent authority. • A branch of foreign commercial bank is not allowed to open other transaction points outside its branch offices • Upon accession, foreign securities providers shall be permitted to establish representative offices and JV with Vietnamese partners in which foreign capital contribution does not exceed 49%. 5 years after accession, 100% permitted.

Main restrictions to **market access** are linked to measures which restrict or require specific types of legal entity or joint ventures through which a service supplier may supply a service; and limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

- Under **Mode 4**, the most common position is "unbound except as indicated in the horizontal section" or "none".

4.3.13 State of Play of the Banking Sector in the Benchmarked Countries

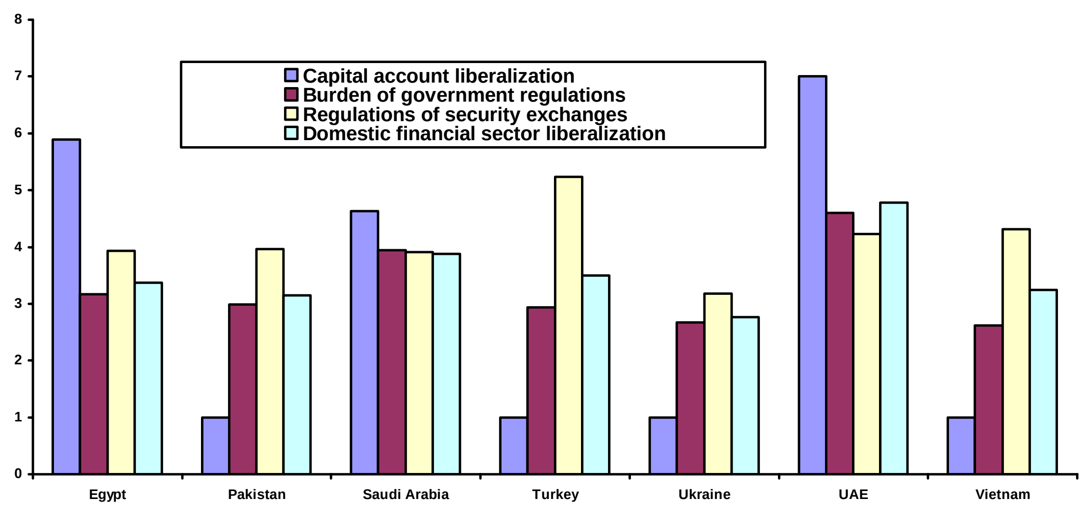
The Financial Development Report[52] published by the World Economic Forum (WEF) provides some information on 52 countries that have best 'financial development index ranking'. Among the benchmarked countries, the UAE rank 16, Saudi Arabia 27, Pakistan 34, Egypt 37, Turkey 39, Vietnam 49 and Ukraine 51. Jordan is not analyzed the WEF.

- **Institutional environment**

The criteria used includes, among others:

- Capital account liberalization
- Burden of government rules
- Regulation of security exchanges
- Domestic financial sector liberalization.

Rank of the benchmarked countries on the Institutional Environment, 2007



Source: World Economic Forum

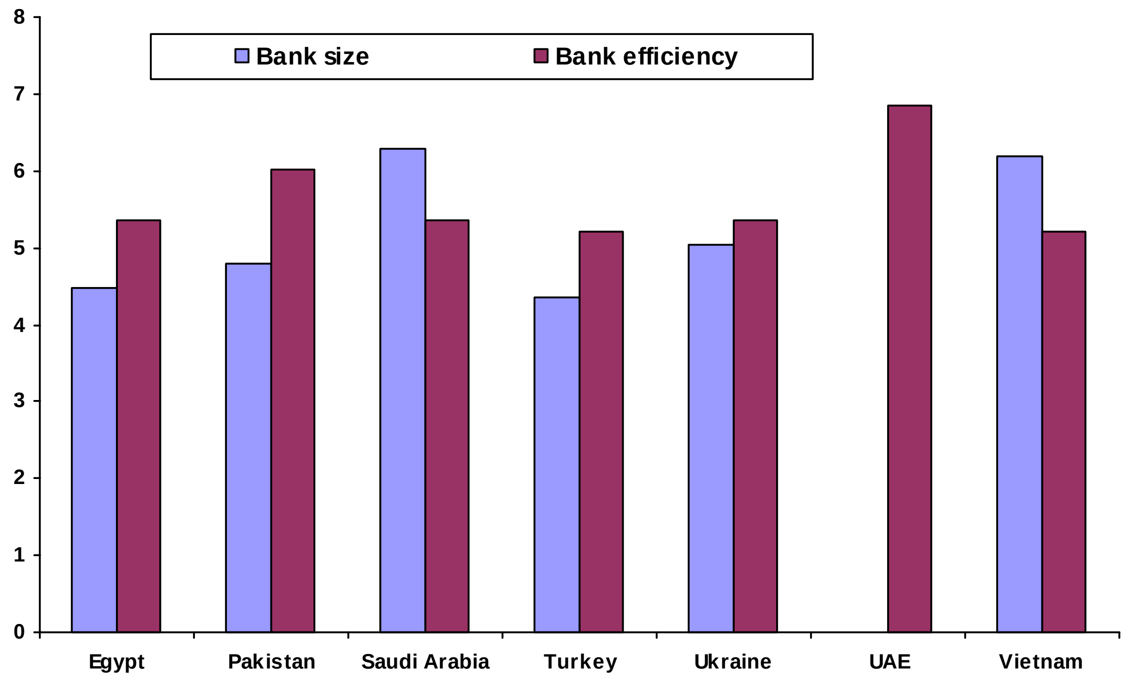
To read the chart:

- Capital account l beralization: an index is used to measure the degree of capital account liberalization within a country, standardized on a 1-to-7 scale, 2005
- Burden of government regulations: it is related to the compliance with administrative requirements for businesses (permits, regulations, reporting) issued by the government in a country. (1 = burdensome, 7 = not burdensome)
- Regulation of securities exchanges in your country is (low index = not transparent, ineffective, and subject to undue influence from industry and government, high index = transparent, effective, and independent from undue influence from industry and government).
- Domestic financial sector liberalization: an index is used to measure the degree of domestic financial sector liberalization within a country, standardized on a 1-to-7 scale, 2005.

[52] Available at: http://www.weforum.org/pdf/FinancialDevelopmentReport/2008.pdf

The institutional environment of UAE appears to be the most liberal among the benchmarked countries and its regulations appear the least burdensome. Ukraine, Pakistan and Turkey are the least liberal with a high burden of regulation.

- **Bank size and efficiency:**



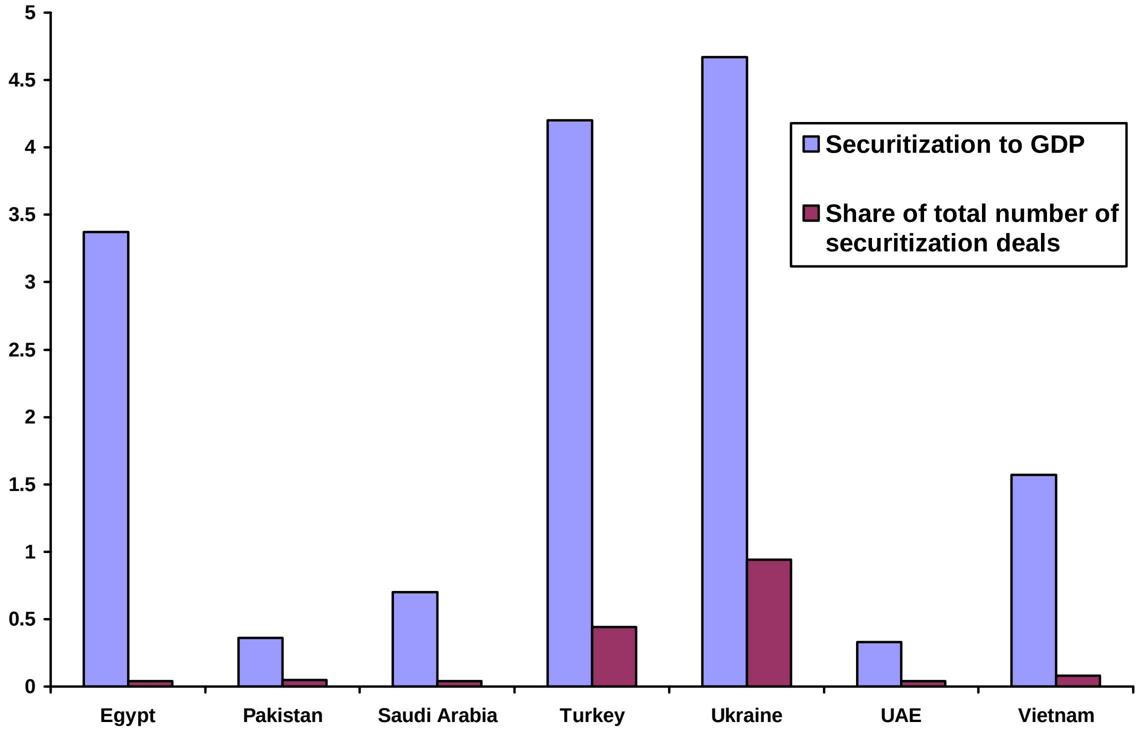
Source: World Economic Forum
Data for UAE bank size index, non available

To read the chart:

- Bank size index: This index is an average of scaled indicators measuring the size of the banking sector, 2005
- Bank efficiency index: Average of the subdimension indexes measuring profitability, efficiency, and competitiveness, 2005

The biggest banking sectors are in Saudi Arabia and Vietnam. However the greatest efficiency of the sector, based on its profitability, efficiency and competitiveness, is in the UAE and Pakistan.

- **Securitization:**



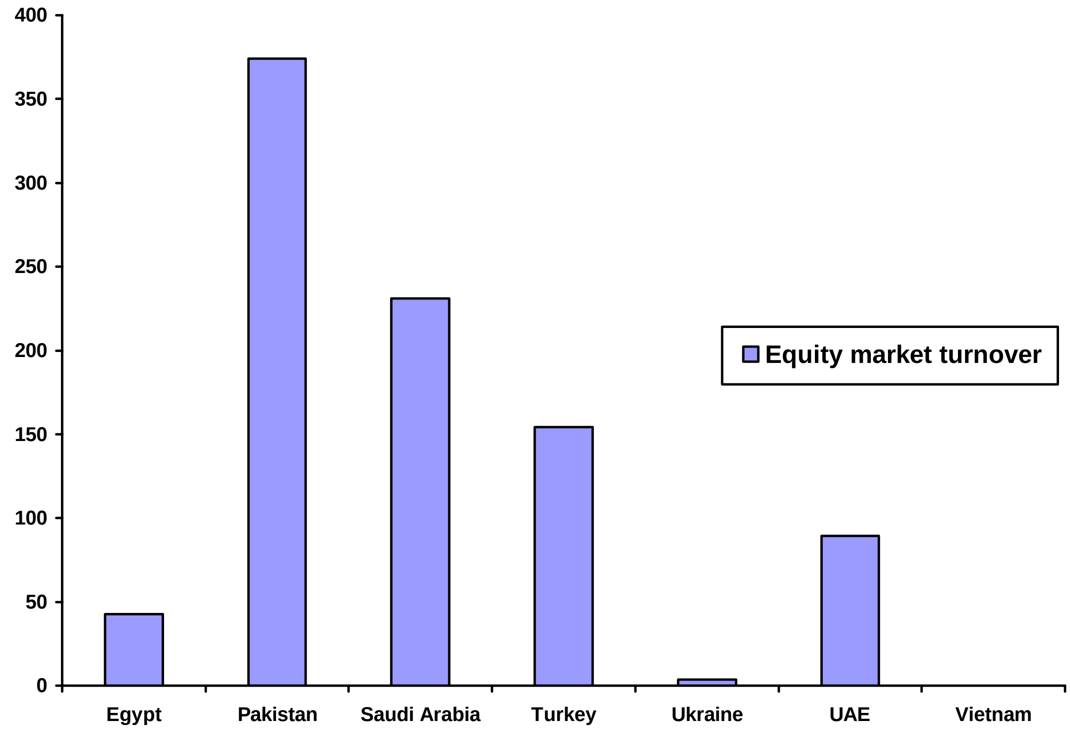
Source: World Economic Forum

To read the chart:

- Securitization to GDP: The sum of asset-backed securities (ABS), mortgage-backed securities (MBS), high-yield bonds, and highly leveraged loans' deal value as a percentage of GDP, 2006
- Share of total number of securitization deals: The sum of asset-backed securities (ABS), mortgage-backed securities (MBS), high-yield bonds, and highly leveraged loans as a percentage of total deals, 2006.

Ukraine and Turkey are best in terms of securitization to GDP (they rank 9th and 10th of the World Economic Forum report) and also on securitization deals (where they rank respectively 16 h and 21st). In Pakistan, Saudi Arabia and UAE, securitization is almost non existent.

- **Financial markets**



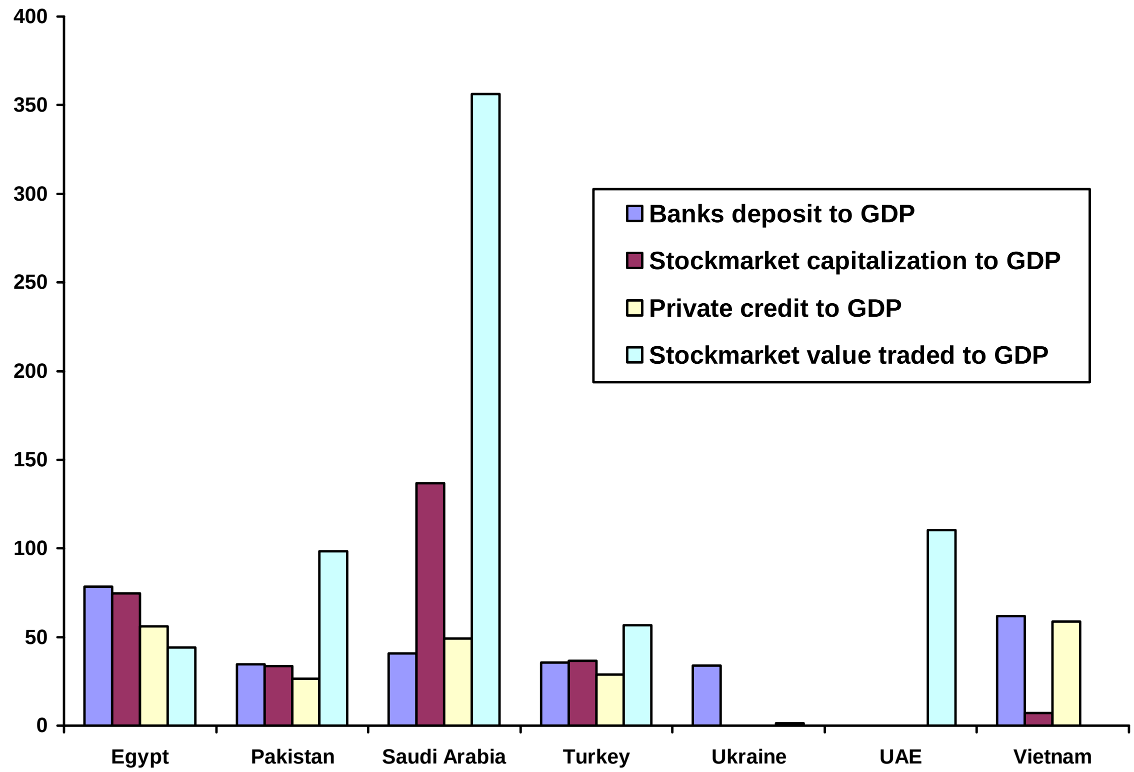
Source: World Economic Forum
Data for Vietnam, non available

To read the chart:
- Equity market turnover: The total value of shares traded during the period divided by the average market capitalization for the period, 2005

Pakistan ranks first among all the countries benchmarked by the WEF on equity market turnover. Saudi Arabia is second among the 52 benchmarked countries for the development of equity market, and Turkey is 4th.

Apart from the equity market, financial markets are either under-developed or even non-existent – with no derivatives such as swaps, forward rate agreements, options, bonds – in any of the benchmarked countries except in Saudi Arabia and Turkey.

- **Bank deposits, stock market and private credit:**



Source: World Economic Forum
Data for Ukraine, UAE and Vietnam incomplete, non available

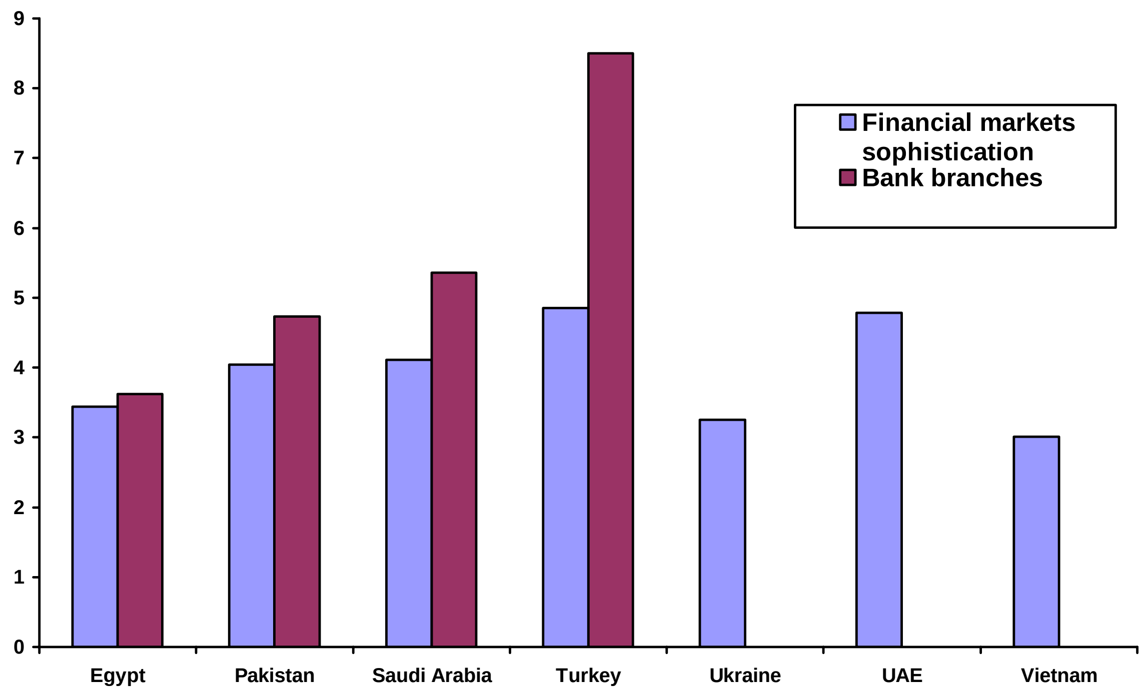
To read the chart:

- Bank deposits to GDP: This variable shows the demand, time, and savings deposits in deposit money banks as a share of GDP, 2006
- Stock market capitalization to GDP: This indicator is the value of listed shares as a percentage of GDP, 2006 or most recent year available
- Private credit to GDP: Private credit by deposit-money banks and other financial institutions as a percentage of GDP, 2006 or most recent year available
- Stock market value traded to GDP: Total value of shares traded on stock market exchanges as a percentage of GDP, 2006 or most recent year available

Banks deposits to GDP are relatively low in all the benchmarked countries – from 33.86% for Ukraine to 78.50% for Egypt. Hong Kong ranks first with 260.42%. The stock market capitalization, which is the highest in the world, is also in Hong Kong with 713.26% of GDP. Stock markets are not very active in most benchmarked countries, except for in Saudi Arabia where stock market value traded to GDP is equivalent to 366%.

Private credit is low is most of the benchmarked countries (from 58.67% of GDP in Vietnam to 26.48% of GDP in Pakistan). The country that ranks first in the WEF study is the USA with 193.69% GDP.

- **Market sophistication and bank branches number**



Source: World Economic Forum
Data for Ukraine, UAE and Vietnam on bank branches non available

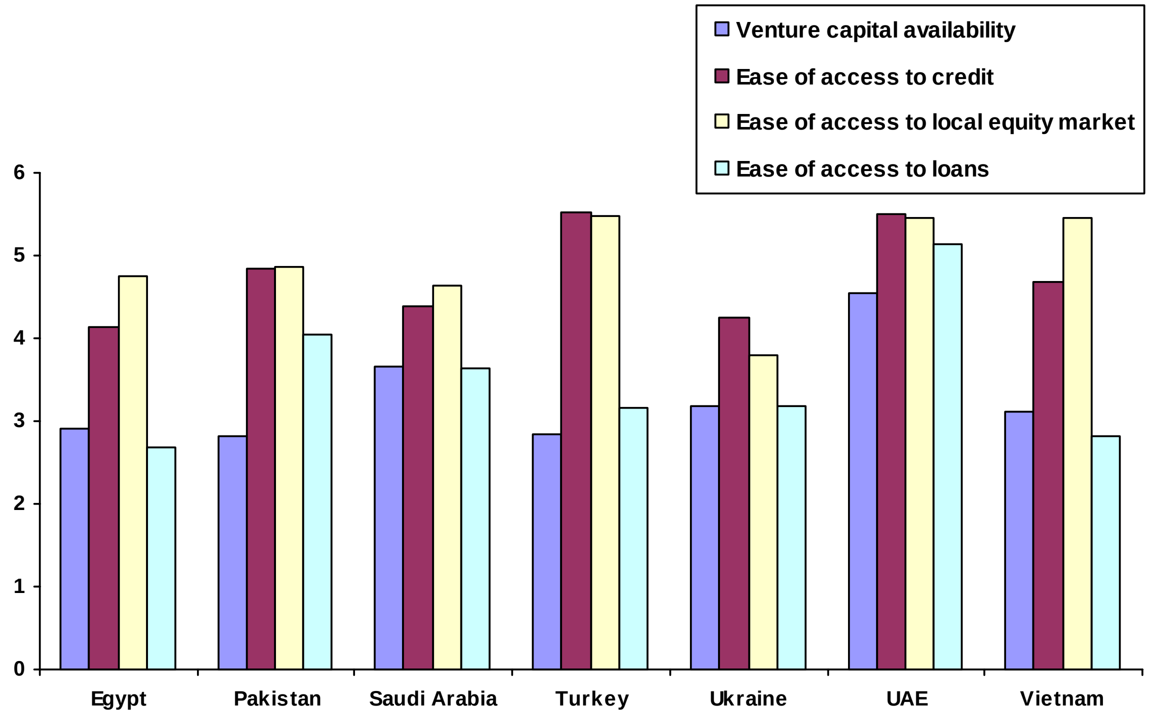
To read the chart:

- Financial market sophistication: The level of sophistication of financial markets in your country is (1 = lower than international norms, 7 = higher than international norms)
- Bank branches: Number of branches per 100,000 inhabitants, 2005

Financial market sophistication is higher than international norm in all of the benchmarked countries, but the degree of sophistication is very low compared to developed countries. In the WEF overall listing, Switzerland ranks first with an index of 6.75. For the benchmarked countries, corresponding data are between 3.01 for Vietnam and 4.85 for Turkey.

The number of branches per 100.000 inhabitants is low in most of the benchmarked countries – the highest is in Turkey with 8.5 branches for 100.000 inhabitants (rank 31). Spain ranks first in the WEF study with 95 bank branches per 100.000 inhabitants, Austria is second with 53, and US is 10th with 13 bank branches.

- **Access**



Source: World Economic Forum

To read the chart:

- Venture capital availability: In your country, how difficult is it for entrepreneurs with innovative but risky projects to find venture capital? (1 = impossible, 7 = very easy)
- Ease of access to credit: During the past year, obtaining credit for your company has become (1 = more difficult, 7 = easier)
- Ease of access to local equity market: Raising money by issuing shares on the stock market in your country is (1 = impossible, 7 = very easy)
- Ease of access to loans: How easy is it to obtain a bank loan in your country with only a good business plan and no collateral? (1 = impossible, 7 = very easy)

Access to banking products is best in UAE among the benchmarked countries: UAE ranks 12th in the WEF report on venture capital availability, 5th on ease of access to credit and 6th on ease to access to loans. In all the other benchmarked countries, it is difficult for entrepreneurs to find venture capital with innovative projects (Saudi Arabia ranks 31 and Vietnam 52). Also obtaining credit is easy in Turkey (ranks 3rd among 52 countries) and UAE (5th) but not in the others: it is especially difficult in Ukraine.

Obtaining a loan with only a good business plan is easy only in UAE (rank 6^{h}). The most difficult places are Egypt and Vietnam.

Nowhere in the benchmarked countries access to local equities can be seen as an easy task: Turkey is best but is 24th among 52 countries of the WEF report, UAE is 26th, Saudi Arabia 40th and Ukraine 50th.

4.3.14 GATS Commitments on Financial Services versus Banking Efficiency

Among the new WTO members, Vietnam (January 2007) and Ukraine (May 2008) which are seen as having the less performing banking sectors – low capital and financial sector liberalization, low efficiency, low bank deposits, weak stock markets, and low access to banking products – are transition countries. Both have taken high commitments on the banking sector at the WTO level: Ukraine did not define any limitations to market access on any sub-sector. Vietnam defined few limitations on the form of commercial presence and equity participation (mode 3), but most of the adopted limitations should end five years after accession. Those two countries decided to push ahead the financial market liberalization in making high WTO commitments.

The best performing country on the banking issues among the economies benchmarked in this study are the United Arab Emirates. Its capital and financial sector liberalization are high, its banks lead in efficiency, profitability and competitiveness, and its stock markets function properly even if they remain undercapitalized compared to developed countries. Therefore, market sophistication is relatively high and the access to financial products relatively easy. The UAE have made WTO commitments on the financial sector that are fairly liberal; existing limitations ('unbound') concern new outputs and newcomers to the market, due to market size and saturation.

Turkey, Saudi Arabia, Pakistan and Egypt are not seen as having either the most liberal or best-performing financial sector. Apart from Saudi Arabia, government regulations are highly burdensome and stock markets value traded are quite low. The financial market sophistication of those countries is limited as well as the access to financial products. Saudi Arabia as a new WTO member took relatively strong commitments on financial sector. Turkey, Pakistan and Egypt defined more limitations to market access but among those three countries, Egypt took greater commitments.

4.4 THE IRAQI BANKING SECTOR

4.4.1 Economic, Social and Regulatory Environment

Iraq Key Indicators:

Population: 28,9 million
GDP in 2006(PPP): USD 94.1 billion
GDP real growth rate 2007: 5% (est.)
GDP per capita (PPP) 2007: USD 3,600 (est.)

GDP, Composition by sector:
- Agriculture: 5%
- Industry: 68%
- Services: 27%

The past five years have been extremely difficult for the Iraqi economy, but during the course of 2007 some encouraging signs of improvement began to emerge. The level of violence declined, and this was accompanied by a number of successes on the economic front.

The authorities responded with a policy package including exchange rate appreciation, monetary tightening, and fiscal discipline. These policies, together with measures to reduce fuel shortages, brought inflation down to less than 5% by December 2007. Core inflation – which excludes fuel and transportation prices – fell to about 12% in 2007, from 32% in 2006.

Despite the achievements in 2007, much remains to be done to consolidate macroeconomic stability and put the economy on a higher growth path. Public confidence remains very low, and violence is still widespread. Corruption and governance problems continue to impede the functioning of the public and private sectors.

4.4.2 The Iraqi Banking Sector

- **Background**

In imitation of Egyptian leader Abdul Nasser's nationalist/socialist policies, the Iraqi government of Abd al-Salam 'Arif nationalized all private commercial banks in Iraq in 1964, as well as the branches of foreign commercial banks[53]. Banks were seized and merged into four groups: Rafidain, Commercial, Bank of Baghdad and Credit Bank. In 1970 a further consolidation took place, merging banks into either Rafidain or Commercial, and in 1974, the Commercial group was put under the Rafidain banner, leaving the country with one state-owned bank.

As a result, Rafidain Bank had to rapidly expand its branch system to service its expanded customer base, but it lacked the human resources to manage a complex network. In addition, nationalization of the private banks caused the best bank managers to leave the industry and created distrust among foreign investors. The combined effect of these factors caused the effectiveness and service quality of the country's banking system to deteriorate.

Rasheed Bank was established in 1989. Following the first Gulf War in 1991, Saddam Hussein authorized the formation of private banks in Iraq for the first time. Up until the second Gulf War, however, these banks were prohibited from conducting international transactions, including payments, remittances, and letters of credit. Now, as Iraq develops a

[53] Comprehensive report of the Special Advisor to the DCI on Iraq's WMD, October 2004

market-driven banking system, these restrictions are being reduced and the importance of Iraq's private banks is expected to grow significantly[54].

An important step was taken on October 28, 2003, when the Central Bank of Iraq authorized Iraq's private banks to process international payments, remittances, and foreign currency letters of credit. This action follows other important steps taken recently to modernize Iraq's banking system – among the steps to establish a new national currency and the launch daily foreign exchange auctions by the Central Bank.

- **The new legal framework**

The Banking Law was issued September 19, 2004. This law brings Iraq's legal framework for banking in line with international standards and seeks to promote confidence in the banking system by establishing a safe, sound, competitive and accessible banking sector. Its provisions include the creation of a new framework for the Iraqi banking system, including clear rules on the delivery of licenses, capital requirements, management and rules of conduct for banking activities.

The Central Bank of Iraq Law was issued on March 6, 2004, amending the framework for the activities of the Central Bank of Iraq (CBI). Among the law's objectives are achieving and sustaining domestic price stability, and promoting a competitive and stable financial system.

Under the current legal framework, establishing a bank in Iraq, including a subsidiary of a foreign bank or bank holding company (majority-owned or wholly-owned), requires the prior issuance of a banking license by the CBI. Establishing a branch or representative office of a foreign bank in Iraq requires the prior issuance of a permit by the CBI. Subsidiaries of foreign-owned banks are required to have 100 billion Dinars of capital. There is no restriction on where that capital is invested.

To attract investors, the Iraq Banking Law permits foreigners to buy up to 49% of an existing private Iraqi bank without undergoing the licensing procedure for establishing a new bank or making a majority acquisition. However, approval is required.

The Central Bank of Iraq (CBI) may permit the opening in Iraq of one or more representative offices of a foreign bank, provided such foreign bank is authorized to conduct banking business in the country of its incorporation. Representative offices must limit their activities to the provision of information and liaison functions, and should not engage in banking business or other similar activities or receive deposits or other repayable funds from the public in Iraq.

According to the CBI regulations, all banks operating in Iraq should maintain a compulsory reserve at the CBI equivalent to 20% of total customers' deposits in Iraqi Dinar and foreign currencies – with the exception of the Iraqi governmental banks that should maintain 75% of total customers' deposits in Iraqi Dinar and foreign currencies. Regulations require that banks establish a general reserve of no less than 2% against the loan portfolio, plus a loan loss provision of between 2% and 5%. In addition, banks must maintain a Tier 1 Capital/Risk Adjusted Assets ratio of not less than 12%.
Recent developments include the enactment of the amendments to the pension law, and the completion of the external audits of the CBI net international reserves (late 2007) and CBI 2007 financial statements[55]. Progress has also been made in modernizing the government's financial management system, continuing the banking reform, and strengthening the statistical database. However, with respect to the implementation of the recommendations of

[54] The Coalition Provisional Authority: http://www.cpa-iraq.org
[55] IMF Country report No 08/303, Iraq, September 2008

the IMF's safeguards assessment report (SAR), the results have been mixed. Despite the timely completion of the CBI's external audits and the review of its international reserves, and despite steps to improve the reconciliation of local banks' current accounts, progress in some other areas has been slow.

- **Central Bank of Iraq**

The Central Bank of Iraq (CBI)[56] was first established by the Central Bank of Iraq Law of 1947 (Number 43). It currently carries out its activities under the Central Bank Law of 2004 issued by the Coalition Provisional Authority Order Number 56.

The primary objectives of the CBI are to achieve and maintain domestic price stability and to foster and maintain a stable and competitive market–based financial system. Subject to these objectives, the CBI promotes sustainable growth, employment and prosperity in Iraq[57]. The main functions of the CBI, in accordance with the Central Bank Law, include the following:

1. Formulate and implement monetary policy, including exchange rate policy.
2. Hold and manage all official foreign reserves of Iraq, other than working balances of the Government of Iraq.
3. Hold gold and manage the Government of Iraq reserves of gold.
4. Provide liquidity services to banks.
5. Issue and manage Iraqi currency.
6. Establish, oversee and promote sound and efficient payment systems.
7. Issue licenses or permits to banks and to regulate and supervise banks.

The CBI has a head office in Baghdad and four regional branches: in Basrah, Mosul, Erbil and Sulaimaniya. However, the CBI presently does not control the financial and administrative affairs of Erbil and Sulaimaniya branches. Though these branches technically report to the CBI, they report to the Kurdistan Regional Government (KRG) for all other issues and receive KRG financing.

- **Banks in Iraq**

Iraq has 7 state-owned commercial banks, whose total assets amounted to IRQ 277.6 billion in 2007, which represents 98% of the total bank assets.

As of June 2008, there were 33 private banks licensed by the Central Bank in the Republic of Iraq. The assets of licensed private banks in 2007 represented 2% of total assets[58].
Private banks were established in an effort to handle local depositors' financial needs, as well as to support the reform and modernization of the banking sector. These banks remained small, in part because most Iraqis still have insufficient confidence in the banking sector. Payments in Iraq are predominantly made in cash.

The reserves-and-deposits balance of local banks, as of December 31, 2007, included balances in US Dollars amounting to US Dollar 1.5 billion.
Already, some foreign banks invested in Iraq and 8 private Iraqi banks have foreign participation. The table below summarizes the list of Iraq's existing public and private banks,

[56] See the official website of the Central Bank of Iraq at www.cbi.iq.
[57] Ernst and Young: Central Bank of Iraq, financial statements, December 31, 2007. Available at: www.cbi.iq/pdf/financial_statement2007_f.pdf
[58] COSIT: http://www.cosit.gov.iq

as well as the number of branches across the country and the presence of foreign participation.

Number of branches and foreign banks participation, April 2009:

Bank name	Number of Branches	Foreign bank participation
PUBLIC BANKS		
Rafidain Bank	158	
Rasheed Bank	147	
Industrial Bank	7	
Agricultural Bank	52	
Real Estate Bank	15	
Iraq Bank	5	
Iraqi Bank of Commerce	5	
PRIVATE BANKS		
Bank of Baghdad	19	Burgan Bank, Kuwait 51.5%
Iraqi Commercial Bank	9	United Ahli Bank of Bahrain 49%
Middle East Bank	17	
Iraqi National Bank	20	Export and Finance Bank of Jordan renamed 'the Capitol Bank' 49%
Iraqi Credit Bank	12	National Bank of Kuwait 75%, IFC 10%
Dar Al-Salaam Bank	14	HSBC 70%
Basra International Bank	12	
Warka'a Investment Bank	40	
Sumer Commercial Bank	6	
United Investment Bank	6	
Babylon Commercial Bank	6	
Gulf Commercial Bank	14	Kuwait (Iraqi Holding Company) 51%
Economic Investment Bank	10	A'ayan Company Kuwait 49%
Iraqi Ahli Bank	4	
Iraqi Islamic Bank	9	
Mosul Bank for Investment	11	
North Bank	3	
Kurdistan International Bank	4	
Iraqi Union Bank	2	
Ahsur International Bank	1	
Elaf Islamic Bank	1	
Mansur Investment Bank	3	National Bank of Qatar 75%
National Islamic Bank	1	
Tigris & Euphrates Bank	2	
Bilad Islamic Bank	3	
Trans Iraq Bank	1	
Regional Cooperation Bank	1	
Al-Huda Bank	1	
Emeraldi Bank / Erbil	5	

Five foreign banks have branches in Iraq[59]: The Arab Banking Corporation (Bahrain), the Turkish Agricultural Bank (Zirat), Bank Byblos Lebanese, the Bank Melli Iran, and the Intercontinental Bank Lebanese.

To date, there is no limitation on profit transfer. The licensing process does not discriminate against foreign banks.

Financial products in Iraq are rather limited with very little sophistication. Services offered by Iraqi commercial banks include current accounts, savings accounts and time deposits, short-term overdraft and bills discounted facilities, as well as short-term loans and advances. Banks also offer bid, advance payment, and performance bonds (the maximum tenure is 12 months). A few banks offer loans over one year in tenure[60].

Apart from deposits and lending, financial products are either non-existent or unused. This is the case with regard to payment and money transmission services, foreign exchange accounts, securities (with the exception of equities), money broking and asset management.

A rudimental stock market operates in Baghdad, but its activities are very low, with only 96 companies listed. The absence of efficiency of the stock market is burdensome for Foreign Direct Investment attraction.

Overall, the regulatory environment in Iraq remains deficient, and standards and enforcement mechanisms are lacking – particularly with regard to the advisory and auxiliary financial services.

4.4.3 Role of the Iraqi Private Sector

The lack of efficiency of the banking sector is a major burden for the overall economy. Any economic sector requires getting some banking products adapted to its needs. A key priority for growth is the establishment of a banking sector which is "development-oriented" – or able to provide support to the development and growth of SMEs in all of Iraq's regions. This is the reason why private sector representatives should be involved in financial sector reform.

Private sector representatives should be able to lobby the administration and banks to develop banking products and regulations adapted to their needs. There is a need to promote and establish consultation mechanisms.

[59] CBI, www.cbi.iq
[60] David Munro: Overview of the Iraqi Banking system, Revised March 2007.Tijara programme

4.5 RECOMMENDATIONS ON IRAQI POSITIONS ON GATS / BANKING SERVICES NEGOTIATIONS

The twin processes of opening up financial markets to foreign competition and of carrying out domestic financial reform should be pursued in tandem. Indeed, it is essential that opening be seen as part of the domestic reform effort.

4.5.1 Recommendations on Banking Sector under GATS

Commitments to banking are needed in areas where further investment is required from trading partners, such as large companies, or where access to high quality services is required by other sectors. In WTO terms, a commitment of “none” is necessary to free up investment potential in Iraq (see below.)

The chart below has several parts to it that are necessary to understand for ease of reading[61]:

- **Modes:**
  - Mode 1: Cross-border supply
  - Mode 2: Consumption abroad
  - Mode 3: Commercial presence
  - Mode 4: Presence of natural persons
- **Commitment Categories:**
  - “Unbound”: No commitment is defined by the country, giving it the right to change its domestic policy at any time.
  - “None”: The country fully opens its service to foreign competition at the multilateral level, without specifying any limitations.

Important options when scheduling GATS commitments include the opportunity to phase in the obligations over time, such as over a period of 5-10 years. This gradual phasing-in gives both the foreign and the domestic investors sufficient time to prepare and adapt, while fully indicating the seriousness of government policy intentions.

Other possible GATS options include limiting the number of foreign suppliers, adding joint-venture requirements, foreign-equity limitations, training requirements, etc.

[61] For a full explanation on reading the services charts expanded across five sectors see: Lewarne, Stephen, Iraq Services Liberalization Study, USAID/Iraq IZDIHAR, November 2007

Position defined by the Sub-Committee on Financial services, April 2009

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
IRAQ **7B.Banking and other financial services (excl. insurance)**		
a.Acceptance of deposits and other repayable funds from the public (CPC 81115-81119)	1) Unbound 2) None 3) Unbound 4) None except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None except • Real property cannot be mortgaged to banks outside Iraq 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) None except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
b.Lending of all types, incl. inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction (CPC 8113)	1) Unbound 2) None 3) Unbound 4) None except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None except : real property cannot be mortgaged to banks outside Iraq 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) None except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
c.Financial leasing (CPC 8112)	1) None 2) None 3) None except : • Natural person or a juridical person may own less than 10% (i.e. 9.9%) share of capital of the private Iraqi Bank. 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
d.All payment and money transmission services (CPC 81339*)	1) None 2) None 3) None except: • Natural person or a juridical person may own less than 10% (i.e. 9.9%) share of capital of the private Iraqi Bank. 4) Unbound except : • as indicated in the horizontal section • Branches of foreign banks are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except: • as indicated in the horizontal section • Branches of foreign banks are required to have a resident regional manager in Iraq.
e.Guarantees and commitments (CPC 81199**)	1) Unbound 2) None 3) Unbound	1) Unbound 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
	4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
f.Trading from own account or for account of customers, whether on an exchange, in an over-the-counter market or other wise, the following: • Money market instruments (cheques, bills, certificates of deposits, etc.) (CPC 81339**) • Foreign exchange (CPC 81333) • Derivative products incl., but not limited to, futures and options (CPC 81339*) • Exchange rate and interest rate instruments, incl. products such as swaps, forward rate agreements, etc. (CPC 81339*) • Transferable securities (CPC 81321*) • Other negotiable instruments and financial assets incl. bullion (CPC 81339**)	1)None except for Bank derivative products : unbound 2) None except for Bank derivative products : unbound 3) None except : • services must be supplied only by banks and • Financial transfer Companies • Natural person or a juridical person may own less than 10% (i.e. 9.9%) share of capital of the private Iraqi Bank. 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except : • services must be supplied only by banks and • Financial transfer Companies • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
g.Participation in issues of all kinds of securities, incl. underwriting and placement as agent (whether publicly or privately) and provision of service related to such issues (CPC 8132)	1) Unbound 2) Unbound 3) Unbound	1) Unbound 2) Unbound 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
	4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	• Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
h.Money broking (CPC 81339**)	1) None 2) None 3) None except: • Natural person or a juridical person may own less than 10% (i.e. 9.9%) share of capital of the private Iraqi Bank. 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except: • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
i.Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services (CPC 8119+**, CPC 81323*)	1) None 2) None 3) None except: • Natural person or a juridical person may own less than 10% (i.e. 9.9%) share of capital of the private Iraqi Bank. • a visibility economic study should be submitted to the CBI • the CBI delivers licenses to the bank to be established or open a branch to that bank in Iraq in order to practice Banking operations. • Partnership of foreign banks is not limited in the capital of private Iraqi banks, provided that the foreign	1) None 2) None 3) None except: • a visibility economic study should be submitted to the CBI • the CBI delivers licenses to the bank to be established • or open a branch to that bank in Iraq in order to practice Banking operations. • Partnership of foreign banks is not limited in the capital of private Iraqi banks, provided that the foreign bank is registered as an Iraqi banking Company, no to be sold ,unless to an Iraqi Company and it is subject to the CBI Instructions and controls .

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
	bank is registered as an Iraqi banking Company, no to be sold ,unless to an Iraqi Company and it is subject to the CBI Instructions and controls . • When a foreign bank secures a license from the central bank of Iraq, the foreign bank should be: • Subject to the control and supervision of the central bank in the home country of the foreign bank. • Provide the CBI with its credit rating. • Submit a confirmation indicating that the foreign bank is still in operation in its home country. • Foreign banks should deposit USD (7) million at the CBI as working capital. This amount should not be released without the approval of the CBI. • Foreign banks should deposit USD • (500.000) at CBI as working capital for any additional branch open in Iraq. 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	• When a foreign bank secures a license from the central bank of Iraq, the foreign bank should be: • Subject to the control and supervision of the central bank in the home country of the foreign bank. • Provide the CBI with its credit rating. • Submit a confirmation indicating that the foreign bank is still in operation in its home country. • Foreign banks should deposit USD (7) million at the CBI as working capital. This amount should not be released without the approval of the CBI. • Foreign banks should deposit USD • (500.000) at CBI as working capital for any additional branch open in Iraq. • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
j. Settlement and clearing services for financial assets, incl. securities, derivative products and other negotiable instruments (CPC 81339** or CPC81319**)	1) Unbound 2) None 3) Unbound 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a	1) Unbound 2) None 3) Unbound except; • Foreign banks investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign banks investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment
	resident regional manager in Iraq.	• branches of foreign banks are required to have a resident regional manager in Iraq.
k.Advisory and other auxiliary financial services on all the activities listed in Art 1B of MTN.TCN/W/50 incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy (CPC 8131 or CPC 8133)	1) None 2) None 3) None 4) Unbound except : • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except: • Foreign companies investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign companies investing in Iraq are required to train Iraqi employees 4) Unbound except: • as indicated in the horizontal section • branches of foreign banks are required to have a resident regional manager in Iraq.
l.Provision and transfer of financial information, and financial data processing and related software by providers of other financial services (CPC 8131)	1) None 2) None 3) None 4) Unbound except : • as indicated in the horizontal section • branches of foreign companies are required to have a resident regional manager in Iraq.	1) None 2) None 3) None except: • Foreign companies investing in Iraq are required to employ no less than 50% of Iraqi employees • Foreign companies investing in Iraq are required to train Iraqi employees 4) Unbound except : • as indicated in the horizontal section • branches of foreign companies are required to have a resident regional manager in Iraq.

Representatives from the Ministry of Trade, Ministry of Finance, Central Bank of Iraq, Rafidain Bank, Iraqi Banking Association, Insurance Diwan, Iraqi Insurance Company, and Ministry of Health are part of the sub-committee on Financial services

One of the main options to reinforce the development of the market economy in Iraq is to foster the financial sector and to largely open it to competition. It is key to come along private sector strengthening and growth.

Should be added to the Horizontal section:

- According to the Iraqi Investment Law No. 13 on 2006, Foreign investors cannot own land in Iraq except in Kurdistan according to Kurdistan Investment Law No. 4 on 2006
- Reference to Labor and Social Security Law

Should be respected:

- Law 56 of 2004 and Instructions of the Central Bank of Iraq
- Banking Law 94 of 2004
- Anti-Money Laundering Law 93 of 2004
- State Companies Law 22 of 1997
- Private companies Law 21 of 1997
- Instructions related to money exchange companies and Financial transfer Companies
- Law and instructions related to the Iraqi stock exchange
- Instructions related to those laws

4.5.2 Preconditions to Banking Liberalization

An efficient and well regulated financial sector leads to an efficient transformation of savings into investment, ensuring that resources are deployed towards those activities that yield the highest returns.

The lack of regulatory and supervisory capacity, aggravated by corruption, has resulted in huge amounts of bad loans being taken over by the authorities. The improvement of the rule of Law should be enhanced and new practices developed.

The banking sector liberalization in Iraq is at its rudimentary stage. The situation surrounding the two main banks – Rafidian and Rasheed – should be resolved relatively quickly to improve the overall banking sector in Iraq. This would entail either cleaning their balance sheets, or transferring their huge deficits and then privatizing them.

A decision has been taken to rehabilitate the two banks. In this regard, a Memorandum of Understanding has been signed between CBI and the Ministry of Finance. The Ministry of Finance has committed in this Memorandum to clean their balances.

The entry of foreign competition is associated with technological modernization in domestic banking systems and with increased sophistication of prudential regulatory systems. In Iraq, as those prudential regulations are being improved, their enforcement is still quite weak. Therefore, additional measures need to be implemented by the Central Bank to be in accordance with the Basel Core Principles for Effective Banking Supervision. Credit institutions are required to comply with the prudential rules, the accounting standards, and information disclosure to the monetary authorities.

While FDI are liberalized, they also should go with:

- The revision of the legal framework,
- The improvement of accounting and statistics,
- The strengthening of liquidity arrangements and related monetary and exchange operations,
- The strengthening of prudential regulations, supervision and risk management,
- The reorganization of the financial and corporate sectors,
- The development of capital markets, including pension funds.

4.6 IMPACT OF GATS / BANKING SERVICES IN IRAQ

Measurement of the impact of liberalizing financial services internationally has been the subject of recent studies. The key findings show that liberalization can have a positive impact[62]:

4.6.1 Economic Impact

- **Banking services liberalization generates growth**

Many studies were done last few years showing that liberalization of financial services has generated stronger economic growth, particularly in developing economies. Countries that fully liberalized their financial and telecom sectors tended to have GNP growth up to 1.5% a year faster in the 1990s. Also, countries with a less restricted banking service sector tended to have higher GNP per capita than those countries where banking was more restricted. Therefore, the development of stock markets and banks help to influence economic growth.

An efficient financial market is assumed to contribute to economic growth by collecting more funds and allocating them to projects with the highest returns, by providing liquidity and reducing the need for precautionary savings[63], and dealing with adverse selection, moral hazard and transaction costs issues.

- **Banking services liberalization promotes efficiency**

Banks' interest rate spreads are higher in countries with restrictions on foreign banks. Foreign trade restrictions protect domestic banks from foreign competition. The lack of competition allows domestic banks to charge higher prices for their services and operate less efficiently, reflected in interest spreads that are 5-60% higher than they would have otherwise been in the absence of trade restrictions.

Therefore, foreign presence is greater where local banks have higher average costs, lower net interest margins, less charge-offs and higher cash flows, signaling an inefficient use of capital.

Furthermore, multilateral agreements on market liberalization provide firms with a guarantee of long-term policy stability, thereby reducing the risks entailed in direct investment. Such commercial presence is particularly vital in Iraq, as competition from foreign firms represents an important means of bringing domestic firms' technical skills up to world standards.

Openness to foreign competition complements such efforts by enticing domestic firms to be more efficient, to broaden the range and quality of service offerings and lower their cost, and to tap into the best production and marketing methods and technologies available abroad.

- **Banking services liberalization promotes financial depth**

A study by the IMF of 50 developing countries indicated a positive long-term correlation between financial depth and capital account openness. Annual stock market turnover was equivalent to 8% of GDP in open economies and only 3% in closed economies. The annual value of credit advanced to the private sector totaled 35% of GDP in open economies and only 27% in closed.

[62] International Financial Services: Impact of liberalizing financial services, January 2002
[63] INSEA, Achy, Lahcen and Hassani, Aicha: The impact of liberalizing international trade of banking services in Morocco, 2005.

- **Banking services liberalization supports business**

Foreign banks lent to small and large companies. Their presence provides SMEs more choice. Nationals have more facilities and opportunities to launch and to develop business.

Increased competition lowers the cost of financial services faced by households, businesses, and governments and, which is especially important, eases access of firms, notably small and medium-size enterprises, to sources of external finance and financial innovation. It thus raises the overall competitiveness of the non financial sector.

- **Banking services liberalization enhanced financial systems**

The presence of foreign financial institutions can also help in building more robust and efficient financial systems by the following:

- Gaining access to modern financial services that facilitate the development of a competitive export sector;
- Improving access to foreign capital and international capital markets;
- Introducing international standards and practice, with foreign financial service companies likely to be supervised on a consolidated basis with the parent by supervisory authorities that are more familiar with the types of activities undertaken by large financial organizations.

4.6.2 Social Impact

- **Banking services liberalization facilitates income generation**

With better access to finance, to create its own business become easier. By doing so, people increase their income and global welfare. In a country such as Iraq, where many state-owned companies are inefficient and where unemployment is very high, the improvement of banks and the increased choice of banking services remain a key issue for the development of the country even in rural areas.

- **Banking services liberalization improves households access to finance**

At present in Iraq, people lack confidence in the banking sector. Most of them do not have any bank deposits and do not have any access to credit. Everything is paid cash, and it remains difficult to spare money.

The household's ability to access ownership or to reach a better welfare rests on the improvement of household's incomes and their purchasing power as well as on their access to adapted banking services that allow to invest in real estate, cars, or consumer goods.

- **Banking services liberalization improves access to finance for women**

Women-owned businesses often start with lower levels of capitalization, lower ratios of debt finance and are less likely to access private equity or venture capital. Such undercapitalization has enduring and negative effects on business survival and growth prospects.

Banking liberalization should:

- Significantly increase incomes from women's own activities
- Enable women to control (have a choice over usage) of income from loans and activities generated by loans

- Enable women to negotiate improvements in their well-being within the household
- Give women access to support networks which enable them to protect their individual and collective interests at the local and macro-levels

4.6.3 Environmental Impact

Where banking services are sophisticated enough, environment can be promoted in offering better interest rate for environmentally friendly projects such as energetic consumer saving projects, etc.

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COMMITMENTS OF BENCHMARKED COUNTRIES –

INSURANCE

EGYPT

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Egypt						
07.A.a. Direct Insurance (including co-insurance)						
1. Life, health, personal accident	1)	None	1)	None		
	2)	None	2)	None		
	3)	Foreign and joint venture companies are allowed only to carry on business in free zones, provided that their activities shall be confined to the transactions carried out in convertible currencies. - No maximum limits required on the foreign shareholding in free zones. - Economic needs test shall apply to the inland commercial presence (other than in free zones) according to the criteria as stipulated in the horizontal section. Relaxation of economic needs test shall be in 2000 for life, health & personal accident business. - Foreign insurance companies' branches and agencies are not allowed. - Foreign capital equity shall not exceed 49 per cent of the total capital required for the company (other than in free zones) up to 31 December 1999. - As of 1 January 2000, foreign capital equity shall be up to 51 per cent of the total capital required for the company (other than in free zones). - Legal cessions of the total transactions must be ceded to Egyptian Reinsurance Co. according to the percentages to be decided by the supervisory authority and 5 per cent of the Company's treaties to African Reinsurance Co.	3)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	4) Qualified non-Egyptian directors are allowed for a five-year term and may be renewed. Their appointment and renewal is subject to the approval of the Supervisory Authority.	4) A non-Egyptian director must have at least two Egyptian understudies.		
2. Non-life insurance	1) Unbound	1) Unbound		
	2) None	2) None		
	3) Foreign and joint venture companies are allowed only to carry on business in free zones, provided that their activities shall be confined to the transactions carried out in convertible currencies. - No maximum limits required on the foreign shareholding in free zones. - Economic needs test shall apply to the inland commercial presence (other than in free zones) according to the criteria as stipulated in the horizontal section. - Relaxation of economic needs test shall be in 2002 for non-life business. - Foreign capital equity shall not exceed 49 per cent of the total capital required for the company (other than in free zones) up to 31 December 2002. - As of 1 January 2003, foreign capital equity shall be up to 51 per cent of the total capital required for the company (other than in free zones). - Foreign insurance companies' branches and agencies are not allowed. - Legal cessions of the total transactions must be ceded to Egyptian Reinsurance Co. according to the percentages to be decided by the supervisory authority and 5 per cent of the Company's treaties to African Reinsurance Co.	3) None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Qualified non-Egyptian directors are allowed for a five year term and may be renewed. Their appointment and renewal is subject to the approval of the Supervisory Authority.	4)	A non-Egyptian director must have at least two Egyptian understudies.		
07.A. All Insurance and Insurance-related Services						
3. Reinsurance and retrocession	1)	None	1)	None		
	2)	None	2)	None		
	3)	Foreign and joint venture companies are allowed only to carry on business in free zones and inland, and in the case of carrying on their activities in free zones, their transactions shall be confined to be carried out in convertible currencies. - No maximum limits required on the foreign shareholding in free zones or inland. - Foreign reinsurance companies' branches and agencies are not allowed. - Insurance and reinsurance companies are not allowed to deal with reinsurers not listed in the supervisory authority list. - Five per cent of the company's treaties must be ceded to African Reinsurance Co.	3)	None		
	4)	None	4)	None		
4. Auxiliary services other than intermediation: a. Actuarial services	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Foreign service supplier must be authorized to perform this profession from a competent authority in his home country and registered at the Egyptian register for that purpose.	3)	None		
	4)	None	4)	None		
b. Consultancy (risk assessment and risk management only)	1)	None	1)	None		
	2)	None	2)	None		
	3)	Foreign service supplier must be authorized to perform this profession from a competent authority in his home country and registered at the Egyptian register for that purpose.	3)	None		
	4)	None	4)	None		
c. Loss assessment	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Foreign service supplier must be authorized to perform this profession from a competent authority in his home country and registered at the Egyptian register for that purpose.	3)	None		
	4)	None	4)	None		
d. Liaison offices	1)	None	1)	None		
	2)	None	2)	None		
	3)	Commercial presence is bound only for public relations and market research.	3)	None		
	4)	None	4)	None		
5. Intermediation	1)	Bound only for life insurance and reinsurance services.	1)	None		
	2)	Bound only for life insurance and reinsurance services.	2)	None		
	3)	Unbound	3)	Unbound		
	4)	Unbound	4)	Unbound		

JORDAN

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Jordan						
07.A.a. Direct Insurance (including co-insurance)						
a) Life, insurance services including health insurance services (CPC 81211) and (CPC 81212) excluding pension fund management. b) Non- life insurance services (including accident insurance) (CPC 8129)	1)	Commercial presence is required.	1)	Commercial presence is required.		
	2)	Unbound.	2)	Unbound.		
	3)	Access is restricted to public share holding companies constituted in Jordan and to branches of foreign insurance companies. Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section.		
07.A. All Insurance and Insurance-related Services						
c) Reinsurance and retrocession (CPC 81299)	1)	None	1)	None		
	2)	None	2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Access is restricted to Public Share Holding companies constituted in Jordan and to branches of foreign reinsurance companies. Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in horizontal section.	4)	Unbound, except as indicated in horizontal section.		
d) Auxiliary Services (CPC 8140) Agency services (CPC 81401)	1)	Unbound.	1)	Unbound.		
	2)	Unbound.	2)	Unbound.		
	3)	Access restricted to Jordanian natural persons, Jordanian general partnerships with majority ownership by Jordanians, and limited liability companies with Jordanians as majority in board of directors. Insurance agent or director of agent company must be Jordanian nationals. Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in the horizontal section. Insurance agent or director of agent company must be Jordanian nationals.	4)	Unbound, except as indicated in the horizontal section.		
Insurance consultancy (CPC 81402 excluding pension consultancy)	1)	None	1)	None		
	2)	None	2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in horizontal section.	4)	Unbound, except as indicated in horizontal section.		
Average and loss adjustment services (CPC 81403)	1)	Unbound.	1)	Unbound.		
	2)	Unbound.	2)	Unbound.		
	3)	Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section.		
Actuarial services (CPC 81404)	1)	None	1)	None		
	2)	None	2)	None		
	3)	Commercial presence in the form of public shareholding companies is subject to 51% foreign equity limitation. One year after accession, 100% foreign equity will be permitted.	3)	None		
	4)	Unbound, except as indicated in horizontal section.	4)	Unbound, except as indicated in horizontal section.		

MOROCCO

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Morocco						
07.A.a. Direct Insurance (including co-insurance)						
B. Insurance and reinsurance	1)	Unbound	1)	None		
(a) Insurance (all branches) (CPC 812)						
	2)	Unbound	2)	None		
	3)	Obligation to have a registered place of business in Morocco	3)	None		
	4)	Unbound, except as indicated in the horizontal section	4)	None		
07.A. All Insurance and Insurance-related Services						
(b) Reinsurance (all branches) (CPC 81299)	1) 2)	Establishment of a reinsurance plan in the framework of the existing regulations on insurance, reinsurance and exchange, and subject to cession of operations to the national body responsible for reinsurance.	1) 2)	None		
	3)	None	3)	None		
	4)	Unbound, except as indicated in the horizontal section	4)	None		

PAKISTAN

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Pakistan						
07.A.a. Direct Insurance (including co-insurance)						
Insurance:	1)	Unbound	1)	Unbound		
- Life						
	2)	Unbound	2)	Unbound		
	3)	(a) Bound for the existing foreign insurance services providers as to their scope of operations and equity structure. (b) Maximum of 25% of foreign shareholding in existing life insurance companies. (c) Foreign equity in new life insurance companies permitted up to 51%.	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
- Non-life	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Bound for the existing foreign insurance services providers as to their scope of operations and equity structure.	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
07.A. All Insurance and Insurance-related Services						
Reinsurance services Reinsurance services and retrocession (CPC 81299)	1)	None	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Unbound	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		

SAUDI ARABIA

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Saudi Arabia						
07.A. All Insurance and Insurance-related Services						
a. Protection and savings insurance #5 b. Non-life insurance (General insurance and health insurance) c. Reinsurance and retrocession d. Insurance Intermediation (Brokerage and Agency) e. Services auxiliary to insurance (consultancy, actuarial, risk assessment and claims settlement services)	1)	Unbound, except none for: (b) Insurance of risks relating to marine shipping and commercial aviation and space launching and freight (including satellites), with such insurance to cover any or all of the following: - the goods being transported, the vehicle transporting the goods and any liability arising there from. - Insurance of risks relating to goods in international transit. (c) Reinsurance and retrocession. (d) Brokerage and Agency. (e) Services auxiliary to insurance consultancy, actuarial, risk assessment and claims settlement services.	1)	Unbound, except none for: (b) Insurance of risks relating to marine shipping and commercial aviation and space launching and freight (including satellites), with such insurance to cover any or all of the following: - the goods being transported, the vehicle transporting the goods and any liability arising there from. - Insurance of risks relating to goods in international transit. (c) Reinsurance and retrocession. (d) Brokerage and Agency. (e) Services auxiliary to insurance consultancy, actuarial, risk assessment and claims settlement services.		#5 As defined in Article 3, Part 3:1-3 of the Cooperative Insurance Companies Control Law Implementing Regulations, published 25 April 2004, including protection against longevity. #6 For clarity's sake, branches of foreign insurance companies operating as cooperative insurance providers are not required to operate as joint-stock companies in Saudi Arabia.
	2)	None	2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes

	3) For (a), (b), and (c) Commercial presence is permissible in the form of a locally incorporated cooperative insurance joint-stock company, or as an established direct branch of an international insurance company operating in Saudi Arabia as a cooperative insurance provider #6. Non-Saudi participation in the joint-stock company in Saudi Arabia is permitted up to 60% from the date of accession.
	For (d) Commercial presence is permissible in the form of a locally incorporated joint-stock company or a limited liability company. Non-Saudi participation is permitted up to 60% from the date of accession.
	For (e) Commercial presence for claims services and risk assessment is permissible in the form of a locally incorporated joint-stock company or a limited liability company. Non-Saudi participation is permitted up to 60% from the date of accession. For actuarial and consultancy commercial presence is permitted as a natural person or a juristic entity.
		3) None		

	4) Unbound, except as indicated in the horizontal section	4) Unbound, except as indicated in the horizontal section		

TUNISIA

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Tunisia						
07.A.a. Direct Insurance (including co-insurance)						
Direct insurance (CPC 8121-8129)	1)	Risks situated in Tunisia and persons domiciled there may be insured only under contracts concluded with resident insurance enterprises (Insurance Code, Article 44) The air, sea and land transport of goods for import must be insured in Tunisia	1)	Unbound		
	2)	None, for natural and legal persons resident abroad	2)	Unbound		
	3)	(a) Commercial presence of foreign supplier in the form of a subsidiary company: - Set up in accordance with Tunisian law; - as a public limited company or mutual society; - minimum capital requirements (b) Commercial presence of the foreign supplier in the form of a branch office: - Work with non-residents	3)	Unbound		
	4)	Unbound, expect as indicated in the horizontal section	4)	Unbound		
07.A. All Insurance and Insurance-related Services						

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
C. Reinsurance and retrocession services (CPC 81299) Insurance intermediation	1)	Prior approval of reinsurers wishing to accept reinsurance operations from the Tunisian market (Insurance Code, Article 68) Appointment of a representative accepted by the Minister of Finance (Insurance Code, Article 68)	1)	Unbound		
	2)	None	2)	Unbound		
	3)	- Approval prior to acceptance of reinsurance operations - Appointment of a responsible officer accepted by the Minister of Finance	3)	Unbound		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound		
(a) Insurance agents for life insurance (CPC 81401)	1)	Tunisian nationality required (Insurance Code, Article 73)	1)	Unbound		
	2)	None	2)	Unbound		
	3)	Tunisian nationality required (Insurance Code, Article 73). Approval of the Minister of Finance	3)	Unbound		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound		
(b) Insurance broking	1)	None, except for horizontal limitations	1)	Unbound		
	2)	None	2)	Unbound		
	3)	Tunisian nationality required. Approval of the Minister of Finance	3)	Unbound		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound		
Other auxiliary services Claim assessment (CPC 81403)	1)	Tunisian nationality required (Decree No.92-2260 of 31 December 1992)	1)	Unbound		
	2)	None	2)	Unbound		
	3)	Tunisian nationality required (Decree No.92-2260 of 31 December 1992)	3)	Unbound		
	4)	Unbound, except as indicated in the horizontal section	4)	Unbound		

TURKEY

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
Turkey				
07. Financial Services				
Insurance	3) In order to be established in Turkey, insurance and reinsurance companies have to be founded in the form of a joint-stock or a mutual company. Foreign insurance and reinsurance companies may operate in Turkey by opening branches as well. However, reinsurance companies can do reinsurance business without fulfilling establishment conditions mentioned above. Establishment of insurance and reinsurance companies or opening of a branch of a foreign insurance or a reinsurance company is subject to prior permission of the Ministry of State. Following the establishment, operation licence from Undersecretariat of Treasury must be obtained in order to start insurance or reinsurance business. Acquisition or transfer of shares representing 10, 20, 33, 50 percent or higher of the capital is subject to the authorization of Undersecretariat of Treasury.	3) None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3) 4)	Engaging of natural persons in brokerage business or establishment of an insurance and reinsurance broker company or opening of a branch of a foreign insurance and reinsurance broker company in Turkey is subject to prior permission and obtaining operation licence from Undersecretariat of Treasury. Such a firm must be founded in the form of a joint-stock or a limited liability company, and must possess the required minimum paid-in capital. Foreign commercial presence or presence of foreign natural persons regarding services auxiliary to insurance is permitted only for consultancy and risk management.	3) 4)	None		
	4)	Natural person insurance and reinsurance brokers have to reside in Turkey and they must have at least 5 years of experience as brokers in their countries of origin.	4)	None		
07.A.a. Direct Insurance (including co-insurance)						
(a) Direct insurance (i) Non-life	1) 2)	Unbound except: (a) The hull insurance of aircrafts, helicopters and ships which are purchased through a foreign loan or leased through a financial leasing contract from abroad, provided that the insurance period is limited to the term of the credit or leasing contract; (b) marine liability insurance; (c) transportation insurance of imported and exported goods; (d) individual accident, sickness and motor vehicle insurance during any travel abroad.	1) 2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	None	3)	Compulsory traffic insurance of publicly owned motor vehicles can only be done by those insurance companies whose majority of paid-in capital belongs to Turkish citizens.		
	4)	None	4)	None		
(ii) Life	1)	Unbound	1)	None		
	2)	None	2)	None		
	3)	A certain percent of paid insurance premiums is deducted from gross wages and corporate income in order to determine real individual and corporate taxable income. In order to benefit from this facility, life insurance policies must be concluded with the insurance companies or the branches of foreign insurance companies established in Turkey.	3)	None		
	4)	None	4)	None		
07.A. All Insurance and Insurance-related Services						
(b) Reinsurance and retrocession	1) 2)	Non-life insurance premiums, after holding the retention, are subject to a certain percent compulsory ceding to Milli Reinsurance Co. If the total retention ratio of the insurance company reaches to 75 percent, compulsory ceding is cancelled.	1) 2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
(c) Insurance intermediation	1) 2)	Unbound for dependent intermediaries (agencies, producers). Dependent intermediaries can act only on behalf of insurance companies authorized to operate in Turkey.	1) 2)	None		
	3)	Insurance and reinsurance brokers and fully authorized agencies can only engage in insurance-related business.	3)	None		
	4)	Unbound except administrative and technical personnel.	4)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
(d) Services auxiliary to insurance	1) 2)	None except adjusters and actuaries.	1) 2)	None		
	3)	None	3)	None		
	4)	None except adjusters and actuaries.	4)	None		

UNITED ARAB EMIRATES

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes

UKRAINE

1. All insurance services and insurance-related services

Foreign insurance companies may provide insurance services via branches only 5 years following Ukraine's accession to the WTO.

(i) Direct insurance (including co-insurance): (A) Life insurance services (B) Non-life insurance services (including marine and aviation insurance) (ii) Reinsurance and retrocession services (iv) Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claims settlement services	(1) Unbound, except none for: - insurance of risks relating to maritime shipping and commercial aviation and space launching and freight (including satellites), with such insurance to cover any or all of the following: the goods being transported, the vehicle transporting the goods and any liability arising therefrom; - reinsurance; - services auxiliary to insurance. (2) None. (3) None. (4) Unbound except as indicated in the horizontal section.	(1) Unbound, except as indicated in the market access column. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.

(iii) Insurance intermediation, such as brokerage and agency	(1) Unbound, except none for: - insurance of risks relating to maritime shipping and commercial aviation and space launching and freight (including satellites), with such insurance to cover any or all of the following: the goods being transported, the vehicle transporting the goods and any liability arising therefrom; - reinsurance; After 5 years from the date of accession: none. (2) None. (3) None. (4) Unbound except as indicated in the horizontal section.	(1) Unbound, except as indicated in the market access column. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.

COMMITMENTS OF BENCHMARKED COUNTRIES –

BANKS

EGYPT

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
Egypt				
07.B.f. Trading for own account or for account of customers				
A. Joint-Venture Banks (JVB's):	1) Unbound	1) Unbound		
- Acceptance of deposits and other forms of repayable funds				
- All types of lending, including consumer credit, and financing of commercial transactions				
- All payment and money transmission services, including credit, charge and debit cards, traveller's cheques and bankers draft				
- Guarantees and Commitments				
- Trading for own account or for account of customers in:				
a. Money market instruments (cheques, bills and certificates of deposits);				
b. foreign exchange;				
c. securities.				
- Participation in share issues and the provision of services related to such issues through subsidiaries				
- Money broking				
- Safekeeping of securities				
- Credit reference services				
- Safe custody services				

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	2) Unbound	2) Unbound		
	3) The share of non-Egyptians in the capital of JVB's and private banks may exceed 49 per cent of the issued capital of any bank, without ceiling. On a non-discriminatory basis, ownership of more than 10 per cent of the issued capital of any bank, except through inheritance, requires the approval of the CBE Board of Directors.	3) Foreign service suppliers, in the context of JVBs are required to offer on-the-job training for national employees.		
	4) The General Manager should have banking experience in Egypt of no less than ten years for banks established in Egypt other than branches of foreign banks.	4) None		
B. Foreign Bank Branches Same activities specified under (A) above	1) Unbound	1) Unbound		
	2) Unbound	2) Unbound		
	3) Economic needs test shall be applied.	3) Branches of foreign banks existing on 5 June 1992 (the date of enforcement of Law No. 37 of 1992) may be licensed to deal in local currency in addition to foreign currency subject to the satisfaction of minimum capital requirement, adequacy of provisions and other prudential measures (Art. 13 of the executive regulations of the said Law).		
	4) None	4) None		
C. Representative Offices of Foreign Banks (R.O.'s)	1) Unbound	1) Unbound		
	2) Unbound	2) Unbound		
	3) Foreign banks which desire to set up representative offices should not have branches in Egypt. - Activities of R.O.'s should be confined to conducting studies on potential investments, acting as liaison with their head offices and contributing to solving problems and difficulties that may confront their head offices' correspondents in Egypt.	3) Unbound		

SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	None	4)	None		
07.B. Banking and Other Financial Services						
OTHER FINANCIAL SERVICES A. SECURITIES	1)	None	1)	None		
1. Underwriting						
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
2. Brokerage	1)	None	1)	None		
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
07.B.f. Trading for own account or for account of customers						
3. Trading in securities	1)	None	1)	None		
(Buy and Sell by individual or institution on the stock exchange)						
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
07.B. Banking and Other Financial Services						
4. Clearing and settlement	1)	None	1)	None		
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
6. Portfolio and investment management	1)	None	1)	None		
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
7. Establishment of collective investment funds	1)	None	1)	None		
	2)	None	2)	None		

SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	None	3)	None		
	4)	None	4)	None		
8. Venture capital	1)	None	1)	None		
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
B. FINANCIAL LEASING	1)	None	1)	None		
	2)	None	2)	None		
	3)	None	3)	None		
	4)	None	4)	None		

JORDAN

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Jordan						
07.B. Banking and Other Financial Services						
a) Acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) e) Guarantees and Commitments CPC 81199**) h) Money broking (CPC 81339**)	1)	None	1)	Real property in Jordan may not be mortgaged to banks outside Jordan.		
	2)	None	2)	None		
	3)	The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Unbound, except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section. Branches of foreign banks are required to have a resident regional manager.		
b) Lending of all types including consumer credit, factoring, mortgage credit, and financing of commercial transaction (CPC 8113) c) Financial leasing (CPC 8112) d) All payment and money transmission services (CPC 81339)	1)	None	1)	Real property in Jordan may not be mortgaged to banks outside Jordan.		
	2)	None	2)	None		
	3)	Service must be provided through banks and specialized financial companies. The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Unbound, except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section. Branches of foreign banks are required to have a resident regional manager.		
07.B.f. Trading for own account or for account of customers						
f) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following: Money market instruments (cheques, bills and certificates of deposits) (CPC 81339**) Foreign Exchange (CPC 81333) Derivative products incl., but not limited to, futures and options (CPC 81339**) Exchange rate and interest rate instruments, including products such as swaps and forward rate agreements (CPC 81339**) Transferable securities (CPC 81321) Other negotiable instruments and financial assets, including bullion (CPC 81339**)	1)	None, except for derivative products, unbound.	1)	None		
	2)	None, except for derivative products, unbound.	2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) Access restricted to: a. Banks b. Financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company. The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
07.B. Banking and Other Financial Services				

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
g) Participation in issues of all kinds of securities, incl. under-writing and placement as agent (whether publicly or privately) and provision of service related to such issues. i) Asset management, such as cash or portfolio management, all forms of collective investment management, custodial, depository, trust services, and pension fund management.	1) Unbound.	1) Unbound.		
	2) Unbound, except for issuance and public offer of securities outside Jordan by foreign service providers abroad, and for management by service suppliers outside Jordan of assets which are not traded on Amman Financial Market or otherwise traded in Jordan.	2) Unbound, except for issuance and public offer of securities outside Jordan by foreign service providers abroad, and for management by service suppliers outside Jordan of assets which are not traded on Amman Financial Market or otherwise traded in Jordan.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) Access restricted to: a. Financial services companies constituted in Jordan, in the form of public shareholding company, limited liability company or a limited partnership in shares company. b. Licensed banks through affiliated companies or separate accounts. The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
j) Settlement and clearing services for financial assets including securities, derivative products and other negotiable instruments.	1) Unbound*	1) Unbound*		* Unbound due to lack of technical feasibility
	2) None	2) None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
k) Advisory and other auxiliary financial services on all the activities (a - l) , incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy	1) None	1) None		
	2) None	2) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		
l) Provision and transfer of financial information as related to financial data processing and related software by providers of other financial services	1) None	1) None		
	2) None	2) None		
	4) Unbound, except as indicated in the horizontal section.	4) Unbound, except as indicated in the horizontal section.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) Access restricted to the Depository Center at the Amman Bourse for securities, and to the Central Bank of Jordan for all other financial instruments. The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3) Access restricted to the Depository Center at the Amman Bourse for securities, and to the Central Bank of Jordan for all other financial instruments.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) Access restricted to: a. Financial services companies constituted in Jordan, in the form of a public shareholding company, limited liability company or a limited partnership in shares company. b. Banks The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3) None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) The establishment of a commercial presence (in mode 3 only) or the conduct of new activities is restricted to Public Shareholding companies constituted in Jordan, and to branches and subsidiaries of foreign banks, unless otherwise stated in the specific sub-sector. Furthermore, it is noted that only Banks may undertake activities involving the acceptance of deposits and other repayable funds from the public (CPC 81115-81119 excluding CPC 81117) and extend guarantees and commitments services (CPC 81199**) and money broking (CPC 81339**). Financial service companies as seen in sub-sector entries below may provide all other financial activities. Financial service companies are licensed to undertake Investment Trusteeship, Investment Management, Financial Consultations Financial Brokerage, Depository, Management of Primary Issues.	3) None		

PAKISTAN

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
Pakistan				
07. Financial Services				
B. Financial services excluding insurance	1) 2) 3) 4) The commitments in Financial Services are given to the nationals and financial institutions of the Members whose laws and policies do not bar the provision of similar commitments to the Pakistani nationals and financial institutions.	3) Provision of all banking and financial services in Pakistan are subject to the injunctions regarding Islamic banking as pronounced by the competent courts in Pakistan.		
07.B. Banking and Other Financial Services				
I. Banking	1) Unbound	1) Unbound		
(a) Acceptance of deposits and other repayable funds from the public in Pakistan				
	2) Unbound	2) Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) (i) Bound for the volume of deposits and other repayable funds mobilised by foreign banks in Pakistan as at the time of conclusion of the Negotiations on 12 December 1997. (ii) Foreign banks (other than those already operating their branches in Pakistan as on 12 December 1997) permitted to accept deposits and other repayable funds from public by setting up locally incorporated limited companies with foreign equity ownership up to 49%. Licence to undertake commercial banking business required from the Central Bank. The Licence to foreign banks will be issued on the basis of same eligibility criteria as applicable to domestic commercial banks. The minimum paid-up capital required to undertake banking business by foreign banks shall not be more than what is required by the domestic commercial banks, i.e. US$11.5 million. (iii) Bound for the number of branches of foreign banks operating in Pakistan as at the conclusion of the Negotiation on 12 December 1997. Change in the controlling share-holders of the foreign banks operating their branches in Pakistan may require new licence. Other foreign banks will be allowed up to three branches at the place of their choice. ATM's installed at the branch premises not treated as a separate branch. (iv) Prior permission in writing of the Central Bank is required by any person for holding beneficial ownership of 5% or more of the paid-up capital of any bank/financial institution. (v) Representation of foreign nationals on the Board of Directors allowed in proportion to their share holding.	3) The shares held by foreign nationals and foreign financial institutions in their locally incorporated subsidiaries not transferable without the prior written approval of the Central Bank.		
	4) Unbound	4) Unbound		
(b) Lending of all types including consumer credit, mortgage, factoring, credit and financing commercial transaction	1) Unbound	1) Unbound		
	2) Unbound	2) Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	(i) Bound for the total volume of foreign banks' assets in Pakistan at the time of the conclusion of the Negotiations on 12 December 1997. (ii) Investments in shares of existing domestic banks permitted to foreign nationals/foreign financial institutions for trading purposes. Acquisition of management control of existing public sector banks considered on case-by-case basis under specific Sale-Purchase Agreements to be approved by the Central Bank.	3)	Lending by banks to companies controlled by non-residents is subject to the borrowing entitlements of the foreign companies as determined by foreign exchange rules applicable from time to time.		
	4)	Unbound except as indicated under horizontal measures. Employment of foreign nationals in banks and financial institutions operating in Pakistan require prior clearance of the Central Bank.	4)	Unbound except as indicated under horizontal measures.		
(c) All payment and money transmission services including traveller cheques and banker's draft (but excluding credit, charge and debit cards)	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Foreign banks branches operating in Pakistan at the conclusion of the Negotiation on 12 December 1997 and banks incorporated in Pakistan permitted to undertake all payment and money transmission services.	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
(d) Guarantees and commitments	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Guarantees and commitments in foreign currency and those undertaken in favour or on behalf of non-resident to be governed by foreign exchange laws.	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
07.B.f. Trading for own account or for account of customers						
(e) Trading, for own account only of: - money market instruments; - foreign exchange; - transferable securities; - other negotiable instruments.	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	(i) The issue, sale and purchase of foreign currency and traveller cheques is allowed to commercial banks licensed as Authorized Dealer. (ii) Foreign banks allowed to set up joint ventures with local persons with equity participation up to 50% after obtaining Licence from the State Bank to undertake the sale and purchase of foreign currency and traveller cheques. (iii) Transmission of permissible funds including foreign currency can be effected only through authorized banking channels. (iv) Commercial banks incorporated in Pakistan and the branches of foreign banks in operation as on 12 December 1997 allowed to operate in call money market.	3)	Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
07.B. Banking and Other Financial Services						
(f) Participation in issues of all kinds of securities including only public underwriting and placement as agent and provision of services related to such issues	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Branches of foreign banks in operation as on 12 December 1997 and banks (including investment banks) incorporated in Pakistan permitted to arrange and participate in any public issue and underwriting of securities up to 30% of the total paid-up capital of the issuer or 30% of their respective paid-up capital whichever is less. All investments in shares made as a consequence of underwriting commitments must be reported forthwith to the Central Bank, and is required to be disinvested within 30 days of the investments as approved by the Central Bank.	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
(g) Settlement and clearing services for negotiable instruments (cheques, bills and promissory notes only)	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	All commercial banks are required to be members of the clearing system operated/approved by Central Bank to effect interbank settlements.	3)	Unbound		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
II. Leasing	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Foreign leasing companies will be permitted to set up subsidiary leasing companies in Pakistan with shareholding not exceeding 51% of the total capital to undertake operational leasing including cross-border leasing. Resource mobilization from the domestic market to be governed by the same rules and regulations as applicable to domestic mobilization of resources.	3)	None		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
III. Asset Management: the following only: (a) Cash or portfolio management; (b) All forms of collective investment management; and (c) Custodial and depository services.	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	(i) Entities licensed by the Central Bank and banks incorporated in Pakistan can undertake portfolio management services through their locally incorporated subsidiaries set up for the purpose with shareholding in such subsidiaries up to 51%. (ii) Management of foreign currency assets will be governed by the foreign exchange regulations applicable from time to time.	3)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		
IV. Financial and investment advisory services	1)	Unbound	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Banks incorporated in Pakistan will be permitted to undertake financial and advisory services through subsidiary companies set up for this purpose with shareholding up to 100% provided that transactions undertaken/services provided by such subsidiaries do not create any financial obligations whether contingent or otherwise on the balance sheet of the holding company or otherwise.	3)	None		
	4)	Unbound	4)	Unbound except as indicated under horizontal measures.		
V. Provision and transfer of financial information and financial data	1)	Unbound, except for the provision of publicly available data and financial information on corporate entities by institutional providers having commercial presence in Pakistan.	1)	Unbound		
	2)	Unbound	2)	Unbound		
	3)	Unbound	3)	Unbound		
	4)	Unbound except as indicated under horizontal measures.	4)	Unbound except as indicated under horizontal measures.		

SAUDI ARABIA

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes

Saudi Arabia

07.B.f. Trading for own account or for account of customers

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
B.Banking and other financial services (excluding insurance) a. Acceptance of deposits and other repayable funds from the public b. Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction c. Financial leasing d. All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts e. Guarantees and commitments f. Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following: - money market instruments (including cheques, bills, certificates of deposits); - foreign exchange; - derivative products including, but not limited to, futures and options; - exchange rate and interest rate instruments, including products such as swaps, forward rate agreements; - transferable securities; - other negotiable instruments and financial assets, including bullion. g. participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues h. Money broking i. Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services j. Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments k. Advisory and other	1)	Unbound, except for 'l.', 'k.' and, under 'i.', only for cash or portfolio management, all forms of collective investment, custodial, depository and trust services to be provided by institutions to institutional clients, including collective investment schemes, upon accession	1)	Unbound, except as indicated in the M.A. column	When pension schemes supplementary to the public pension scheme are provided by Saudi Financial institutions, it will also be open for foreign service suppliers for mode (2) and (3) only	

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
auxiliary financial services on all the activities listed in sub paragraphs 'a.' through 'l.', including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy l. Provision and transfer of financial information, and financial data processing and related software.				
	2) None, except unbound for pension fund management under 'i.' and all domestic settlement and clearing services provided exclusively by SAMA under 'j.'. This also limits national treatment.	2) None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) None, except: - Commercial presence of banks is permissible in the form of a locally incorporated joint-stock company or as a branch of an international bank. - Non-Saudi participation in a joint-venture in Saudi Arabia is permitted up to 60% from the date of accession. - These financial services are to be provided by commercial banks except that asset management 'i.' and advisory services 'k.' may be provided by non-commercial banking financial institutions under the capital market law. - Unbound for pension fund management under 'i.'. This also limits national treatment. - Unbound for all domestic settlement and clearing services provided exclusively by SAMA under 'j.'. This also limits national treatment.	3) None		
	4) Unbound, except as indicated in the horizontal section	4) Unbound, except as indicated in the horizontal section		

TURKEY

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
Turkey						
07. Financial Services						
Banking	1)	Unbound	1)	Unbound		
	2)	None	2)	None		
	3)	Establishment of a bank which has to be in the form of a joint-stock company and opening of the first branch of a foreign bank require authorization from the Council of Ministers. According to the prevailing circumstances, the Undersecretariat of Treasury may require additional conditions, which are determined by a regulation, for the establishment of a bank or opening the first branch of a foreign bank in Turkey. Following the establishment, operation license from Undersecretariat of Treasury must be obtained in order to start collecting deposits or execute banking operations. The establishment of additional branches by the banks is subject to the meeting of the criteria and ratios required by the Undersecretariat of Treasury. The Undersecretariat has the right to limit or prohibit the additional branch establishment, if necessary. According to the Banks Act, lending limits for the branches of foreign banks are based on branch capital rather than worldwide capital. The establishment of domestic or foreign banks as well as the first branch of a non-resident bank are subject to the same amount of minimum capital requirement. Acquisition or transfer of the shares representing a ratio equal or higher than 5, 20, 33 and 50 percent of the capital is subject to the authorization of the Undersecretariat of Treasury.	3)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
07.B.f. Trading for own account or for account of customers				
Securities market	3) For the establishment of capital market institutions (*) the permission of the Capital Market Board is required. If banks or insurance companies apply to the Board to form a mutual fund or to increase fund capital, the opinion of the Undersecretariat of Treasury has to be obtained to finalize the applications. Establishment of branches and agencies by securities intermediary institutions established in Turkey also requires the Board's permission. The permission of the Board is required for obtaining 5 percent or more of the capital of already established securities intermediary institutions by one shareholder (natural or legal persons). Intermediary institutions, investment corporations, portfolio management companies and rating agencies can only be established in the form of a joint-stock company. Establishment of branches and representative offices of foreign non-bank intermediary institutions is not permitted. Additionally, operations of all capital market institutions and banks are subject to the permission of the Board. While giving such permission, the Board issues "Authorization Certificates" for the activities to be carried out by each institution. Rating agencies should have a know-how agreement with an international rating agency recognized by the Board. In case of partnership with an international rating agency recognized by the Board, the share of the international rating agency shall not be less than 25 percent of the capital of the domestic rating agency.	3) None		*) According to the Capital Market Law, capital market institutions are specified as follows: (a) Securities Intermediary Institutions. (b) Investment Corporations. (c) Mutual Funds. (d) Other capital market institutions permitted to operate in the capital market such as clearing and custodial houses, rating and auditing institutions, etc.
07.B. Banking and Other Financial Services				

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
OTHER FINANCIAL SERVICES A. Financial leasing service	3)	Financial leasing companies (lessors) can be established (a) in the form of a joint-stock company, and (b) through the establishment and opening of a branch of a lessor, as well as opening of a branch of a foreign lessor. In the case of (b), subject to prior permission of the Ministry of State to which the Undersecretariat of Treasury is attached.	3)	The minimum paid-in capital required for opening a branch by a foreign lessor is more than that of establishing a company.		
B. Factoring and consumer credit services	3)	Factoring companies and consumer credit companies must be established in the form of a joint-stock company. For the establishment of these companies, prior permission of the Undersecretariat of Treasury must be obtained.	3)	None		
07.B.f. Trading for own account or for account of customers						
C. Authorized institutions (foreign exchange dealers)	3)	In order to engage in activities as an authorized institution, the permission of the Undersecretariat of Treasury must be obtained. Authorized institutions must be incorporated in the form of a joint-stock company.	3)	None		
D. Precious metals exchange	3) 4)	Precious metals intermediaries (banks, authorized institutions, precious metals intermediary institutions as well as resident and non-resident natural or legal persons) can operate in Istanbul Gold Exchange after being granted the operation licence by the Undersecretariat of Treasury and being registered by the Istanbul Gold Exchange.	3) 4)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
07.B. Banking and Other Financial Services						
(e) Acceptance of deposits	1) 2)	None	1) 2)	None		
	3)	No natural person or legal entity other than those authorized under the Banks Act or under specific regulations may accept deposits.	3)	None		
	4)	None	4)	None		
(f) Lending of all types	1) 2)	None	1) 2)	None		
(i) Consumer credit						
	3)	Banks and consumer credit companies may lend consumer credits.	3)	None		
	4)	None	4)	None		
(ii) Factoring	1) 2)	None	1) 2)	None		
	3)	Banks and factoring companies can engage in factoring activities.	3)	None		
	4)	None	4)	None		
(iii) Mortgage credit and financing of commercial transactions	1) 2)	None	1) 2)	None		
	3)	Banks can engage in trading of these activities.	3)	None		
	4)	None	4)	None		
(g) Financial leasing	1) 2)	Leasing contracts related to cross-border leasing transactions must be permitted by the Undersecretariat of Treasury.	1) 2)	Regarding cross-border leasing transactions, the annual rent may not be less than the Turkish Lira equivalent of $25,000.		
	3)	Lessors can engage in financial leasing transactions.	3)	None		
	4)	None	4)	None		
(h) All payment and money transmission services	1) 2)	None	1) 2)	None		
	3)	Transfers of foreign exchange abroad must be carried out through the banking system.	3)	None		
	4)	None	4)	None		

SECTOR SPECIFIC COMMITMENTS

WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
(i) Guarantees and commitments	1) 2)	None except that performance bonds with the transactions specified in the State Tender Law must be obtained from a bank operating in Turkey.	1) 2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
07.B.f. Trading for own account or for account of customers						
(i) Money market instruments	1) 2)	None	1) 2)	None		
	3)	Banks and securities intermediary institutions can engage in trading of money market instruments.	3)	None		
	4)	None	4)	None		
(ii) Foreign exchange	1) 2)	None	1) 2)	None		
	3)	Banks and authorized institutions can engage in foreign exchange trading.	3)	None		
	4)	None	4)	None		
(iii) Derivative products	1) 2)	None	1) 2)	None		
	3)	Banks and related intermediary institutions can engage in trading of these products.	3)	None		
	4)	None	4)	None		
(iv) Exchange rate and interest rate instruments	1) 2)	None	1) 2)	None		
	3)	Banks and related intermediary institutions can engage in trading of these instruments.	3)	None		
	4)	None	4)	None		
(v) Transferable securities	1) 2)	None	1) 2)	None		
	3)	Banks and securities intermediary institutions can engage in trading of these products.	3)	None		
	4)	None	4)	None		
(vi) Other negotiable instruments and financial assets, including bullion	1) 2)	None	1) 2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Banks and related intermediary institutions can engage in trading of these products. Only precious metals intermediaries can engage in trading of bullion in the Istanbul Gold Exchange.	3)	None		
	4)	None	4)	None		
07.B. Banking and Other Financial Services						
(k) Underwriting and placement	1) 2)	None	1) 2)	None		
	3)	Banks and securities intermediary institutions can provide underwriting and placement services for the securities to be issued after being registered by the Capital Market Board.	3)	None		
	4)	None	4)	None		
(l) Money broking*1	1) 2) 3) 4)	None	1) 2) 3) 4)	None		*1) This is a new financial service.
(m) Asset management portfolio management	1) 2)	None	1) 2)	None		
	3)	Banks, securities intermediary institutions and portfolio management companies can provide these services.	3)	None		
	4)	None	4)	None		
(i) Collective investment management	1) 2)	None	1) 2)	None		
	3)	Mutual funds and investment corporations can engage in collective investment management.	3)	None		
	4)	The majority of the members of the board of directors of an investment corporation must have Turkish nationality.	4)	None		
(ii) Pension fund management*2	1) 2) 3) 4)	None	1) 2) 3) 4)	None		*2) This is a new financial service.
(iii) Custodial, depository and trust services	1) 2)	None	1) 2)	None		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
	3)	Banks and securities intermediary institutions operating in capital market can provide custodial services for their customers' securities, until their buying-selling orders are realized.	3)	None		
	4)	None	4)	None		
(n) Settlement and clearing services	1) 2)	None	1) 2)	None		
	3)	Only Takasbank A.S. can provide securities settlement and clearing services.	3)	None		
	4)	None	4)	None		
(o) Provision and transfer of financial information	1) 2)	None	1) 2)	None		
	3)	None	3)	None		
	4)	None	4)	None		
(p) Advisory, intermediation and other auxiliary services	1) 2)	None	1) 2)	None		
	3)	None	3)	None		
	4)	None	4)	None		

UNITED ARAB EMIRATES

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
United Arab Emirates						
07.B. Banking and Other Financial Services						
Items a) to l) but not including item j) (Settlement and clearing services for financial assets)	1)	None	1)	None		
	2)	None	2)	None		
	3)	(i) No limitations for establishment of representative offices; (ii) Unbound for new licences for operating bank branches; (iii) Unbound for the expansion of activities of existing financial entities.	3)	None		
	4)	Unbound except as indicated in the horizontal section.	4)	Unbound, except as indicated in the horizontal section		

UKRAINE

2. Banking and other financial services (excluding insurance)

(v)	Acceptance of deposits and other repayable funds from the public	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(vi)	Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transactions	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(vii)	Financial leasing	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(viii)	All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(ix)	Guarantees and commitments	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(x)	Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:		
-	(A) money market instruments (including cheques, bills, certificates of deposits)	(1) None. (2) None. (3) None.	(1) None. (2) None. (3) None.

		(4) Unbound, except as indicated in horizontal section.	(4) Unbound, except as indicated in horizontal section.
-	(B) foreign exchange	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.
-	(C) derivative products, including, but not limited to, futures and options	(1) Unbound. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.
-	(D) exchange rate and interest rate instruments, including products such as swaps, forward rate agreements	(1) Unbound. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
-	(E) transferable securities	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
-	(F) other negotiable instruments, including bullion	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(xi)	Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues	(1) None. (2) None. (3) Only legal persons engaged exclusively in issuance of securities, and banks.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in

	(4) Unbound, except as indicated in the horizontal section.	the horizontal section.
(xii) Money broking	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(xiii) Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(xiv) Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(xv) Provision and transfer of financial information, financial data processing and related software by suppliers of other financial services	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.
(xvi) Advisory, intermediation and other auxiliary financial services on all the activities, listed in paragraphs (v)-(xv), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.	(1) None. (2) None. (3) None. (4) Unbound, except as indicated in the horizontal section.

VIETNAM

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
Viet Nam				
07.B.f. Trading for own account or for account of customers				

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
(a) Acceptance of deposits and other repayable funds from the public	1) Unbound, except B(k) and B(l).	1) Unbound, except B(k) and B(l).		
(b) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction				
(c) Financial leasing				
(d) All payment and money transmission services, including credit, charge and debit cards, travellers' cheques and bankers drafts				
(e) Guarantees and commitments				
(f) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following: - Money market instrument (including cheques, bills, certificates of deposits); - Foreign exchange; - Exchange rate and interest rate instrument incl products such as swaps, forward rate agreements; - Bullion.				
(h) Money broking				
(i)Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services				
(j) Settlement and clearing services for financial assets, including securities, derivative products, and other negotiable instruments				
(k) Provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services				
(l) Advisory, intermediation and other auxiliary financial services on all activities				

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
listed in subparagraphs from (a) to (k), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy				
	2) None.	2) None.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
	3) None, except: (a) Foreign credit institutions are only permitted to establish commercial presence in Viet Nam in the following forms: (i) With respect to foreign commercial banks: representative office, branch of foreign commercial bank, commercial joint venture bank with foreign capital contribution not exceeding 50% of chartered capital, joint venture financial leasing company, 100% foreign-invested financial leasing company, join venture finance company and 100% foreign-invested finance company, and, beginning on 1 April 2007, 100% foreign-owned banks are permitted. (ii) With respect to foreign finance companies: representative office, joint venture finance company, 100% foreign-invested finance company, joint venture financial leasing company and 100% foreign-invested financial leasing company. (iii) With respect to foreign financial leasing companies: representative office, joint venture financial leasing company and 100% foreign-invested financial leasing company. (b) During 5 years from the date of accession, Viet Nam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from Vietnamese natural persons with which the bank does not have a credit relationship to a ratio of the branch's paid-in capital according to the schedule below: - 1 January 2007: 650% of legal paid-in capital; - 1 January 2008: 800% of legal paid-in capital; - 1 January 2009: 900% of legal paid-in capital; - 1 January 2010: 1,000% of legal-paid-in capital; - 1 January 2011: Full national treatment. (c) Equity participation: (i) Viet Nam may limit equity participation by foreign credit institutions in equitized Vietnamese state-owned banks to the same level as equity participation by Vietnamese banks.	3) None, except: (a) The conditions for the establishment of a branch of a foreign commercial bank in Viet Nam: - The parent bank has total assets of more than US$20 billion at the end of the year prior to application. (b) The conditions for the establishment of a joint venture bank or a 100% foreign-owned bank: - The parent bank has total assets of more than US$10 billion at the end of the year prior to application. (c) The conditions for the establishment of a 100% foreign-invested finance company or a joint venture finance company, a 100% foreign-invested financial leasing company or a joint-venture financial leasing company: - The foreign credit institution has total assets of more than US$10 billion at the end of the year prior to application.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector		Limitations on Market Access		Limitations on National Treatment	Additional Commitments	Notes
		(ii) For capital contribution in the form of buying shares, the total equity held by foreign institutions and individuals in each Viet Nam's joint-stock commercial bank may not exceed 30% of the bank's chartered capital, unless otherwise provided by Viet Nam's laws or authorized by a Viet Nam's competent authority. (d) A branch of foreign commercial bank: - is not allowed to open other transaction points outside its branch office. (e) Upon accession, foreign credit institutions are allowed to issue credit cards on a national treatment basis.				
	4)	Unbound, except as indicated in the horizonotal section.	4)	Unbound, except as indicated in the horizontal section.		

SECTOR SPECIFIC COMMITMENTS WTO Services Database Output

Modes of supply : 1)Cross-border supply 2)Consumption abroad 3)Commercial presence 4)Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments	Notes
C. Securities (f) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following: - Money market instrument (including cheques, bills, certificates of deposits); - Foreign exchange; - Exchange rate and interest rate instrument incl products such as swaps, forward rate agreements; - Bullion. - Derivative products incl. futures and options; - Transferable securities; - Other negotiable instruments and financial assets, excluding bullion. (g) Participation in issues of all kinds of securities incl. under-writing and placement as an agent (publicly or privately), provision of services related to such issues (i) Asset management, such as portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services (j) Settlement and clearing services for securities, derivative products, and other securities-related instruments (k) Provision and transfer of financial information, and related software by suppliers of securities services (l) Advisory, intermediation and other auxiliary securities-related excluding (f), including investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy (for other services under (l), refer to (l) under banking sector)	1) Unbound, except services C(k) and C(l). 2) None.	1) Unbound. 2) None.		