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## **OPEN FOR BUSINESS:**

OPPORTUNITIES IN THE AUSTRALIAN / KOREAN FINANCIAL SERVICES SECTOR

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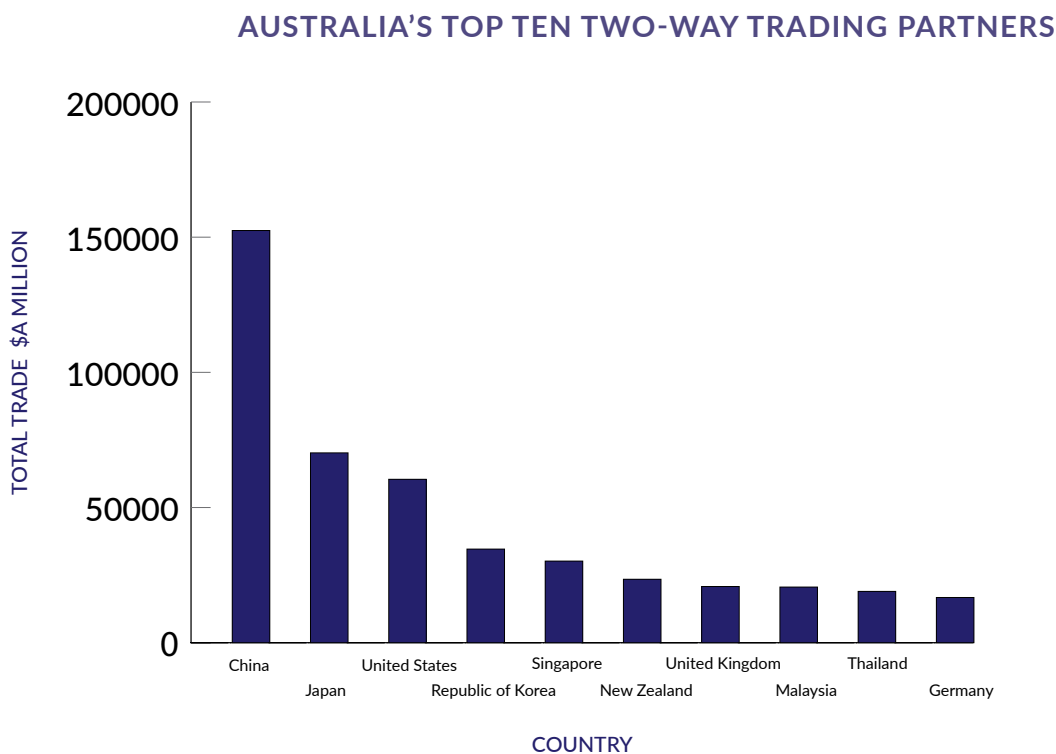
**AUSTRALIA - KOREA  
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## 1. INTRODUCTION

The Republic of Korea is Asia’s fourth largest economy and is eleventh globally<sup>1</sup>, with a population of 50 million<sup>2</sup>. As Australia’s fourth largest bilateral trading partner<sup>3</sup>, Korea and Australia are natural economic, political and strategic partners. Through the Korean Australian Free Trade Agreement (KAFTA), the Korea- Australia bipartisan relationship has been strengthened, increasing the opportunity for trade and business opportunities between the two countries.

Figure 1: Australia’s top ten two-way trading partners



Source: Department of Foreign Affairs and Trade, 2015

## 2. OVERVIEW OF THE KOREAN FINANCIAL SERVICES MARKET

### 2.1 Regulatory Environment

Korea’s Financial Services sector has traditionally been highly regulated<sup>4</sup>, with the Organisation for Economic Co-operation and Development (OECD) highlighting (that until recently) Korea ranked second highest of its member countries in terms of barriers to trade and investment<sup>5</sup>. However post 2013, the Korean Government has been making significant progress with regards to reforming its financial institutions and capital markets in response to foreign and domestic firms’ expressing concern with Korea’s onerous regulatory environment<sup>6</sup>. This has culminated with the 2014 launch of a three year “Economic Innovation”<sup>7</sup> plan, followed by a review in December 2016 that has led to the Ministry of Strategy and Finance releasing their “2017 Economic Policies”<sup>8</sup>. The review emphasises deregulation as a solution to improve investment, and encourages greater Korean participation

<sup>1</sup> (The World Bank, 2017)

<sup>2</sup> (Austrade, 2014)

<sup>3</sup> (Department of Foreign Affairs and Trade a, 2016)

<sup>4</sup> (U.S. Department of State, 2014)

<sup>5</sup> (Organisation for Economic Co-operation and Development, 2016)

<sup>6</sup> (U.S. Department of State, 2014)

<sup>7</sup> (U.S. Department of State, 2014)

<sup>8</sup> (Ministry of Strategy and Finance, 2017)

in international infrastructure projects. With fiscal policy reform integral to Korea's long term financial institution and capital market sustainability, Korea has signed six Free Trade Agreements (FTA) since 2014 aimed at reducing barriers to trade, with Australia one of those countries<sup>9</sup>.

## 2.2 Korean-Australia Free Trade Agreement

KAFTA which entered into force on December 12 2014<sup>10</sup> provides a foundation for increasing bilateral economic partnership with Australia leading to an improved climate for Australian investors in Korea and greater Korean investment in Australia.

Details of the benefits and conditions with regards to trade and financial services for outbound Australian entities in Korea are listed in detail below.

In terms of investment, KAFTA improves opportunities for Australian outbound investors into Korea, whilst simultaneously promoting Korean outbound investment into Australia.

Table 1: Trade and financial services KAFTA factsheet

**Under KAFTA, Australian financial service providers have been awarded with 'the best treatment Korea had agreed with any trading partner, on par with its agreements with the United States and Europe'. The key details and features of KAFTA include:**

- Australian financial service providers are for the most part treated equal to both Korean and foreign financial service providers.
- Australian financial service providers may, with only limited exceptions:
  - o Establish or acquire institutions in Korea;
  - o Choose whether to establish as a branch or a subsidiary; and
  - o Choose whether or not to locate processing and administrative functions in Korea, their head office or overseas affiliates.
- KAFTA provides strong investment protections for Australian financial service suppliers operating in Korea, backed by an international arbitration mechanism.
- Australian financial services providers are able to supply specified financial services on a "cross-border" basis, enabling Australian suppliers to do business without the need to open a full commercial presence. This includes:
  - o Investment advice and portfolio management services for investment funds; and
  - o A range of insurance and insurance related services including risk assessment, actuarial and claims settlement services.
- KAFTA establishes a "negative list" regime, which presumes a financial service is allowed unless specifically prohibited and commits Korea to allow new financial services it would permit its own financial institutions to provide.
- KAFTA provides for enhanced transparency around licensing of financial institutions and regulatory decision-making, as well as streamlined licensing procedures for Australian suppliers in Korea.

Australian financial services providers benefit from commitments which require Korea to allow Australian financial institutions to transfer data into and out of its territory, allowing for more efficient data processing for Australian companies.

Source: Department of Foreign Affairs and Trade, 2014

<sup>9</sup> (Organisation for Economic Co-operation and Development, 2016, p. 30)

<sup>10</sup> (Department of Foreign Affairs and Trade, 2014)

Table 2: Investment KAFTA Factsheet

KAFTA improves opportunities and protections for Australian investors in Korea, whereby reducing market access barriers in key sectors including:

- Telecommunications;
- Legal services; and
- Accounting and tax agency services.

KAFTA provides enhanced protections and certainty for Australian investors in Korea (and for Korean investors in Australia) with provisions to ensure non-discrimination, and protection and security for investments. In particular:

- All forms of investments are protected, including enterprises, shares and stocks, debt instruments, property rights and intellectual property;
- Australian investors and investments may not be treated less favourably, in like circumstances, than Korean investors with respect to the establishment, acquisition, operation and sale of investments in Korea, subject to certain exceptions;
- Investments may not be expropriated or nationalised in the absence of prompt, adequate, and effective compensation; and
- Investments must be treated in accordance with an internationally accepted minimum standard of treatment, which includes obligations of fair and equitable treatment and full protection and security of investments.

KAFTA promotes an increase in the flow of Korean investment capital into Australia by liberalising the screening threshold at which private Korean investments in non-sensitive sectors are considered by the Foreign Investment Review Board (FIRB) from \$252 million to \$1,094 million, consistent with the threshold provided to Japan and China.

Under KAFTA Australia:

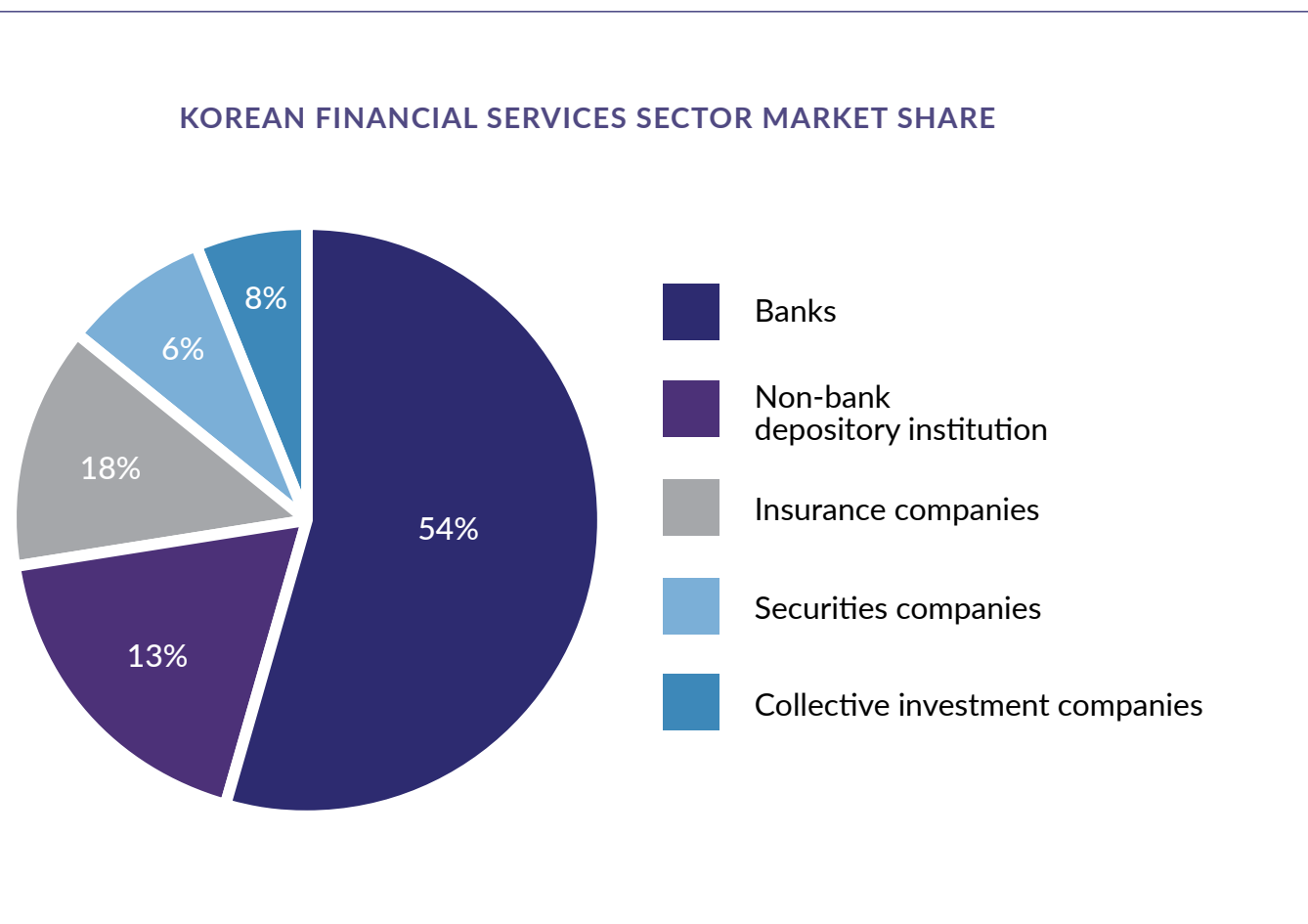
- Retains the ability to screen investments in sensitive sectors, including media, telecommunications and defence related industries at lower levels, and all direct foreign government investments regardless of value; and
- Reserves policy space to screen proposals for foreign investment in agricultural land at \$15 million and in agribusinesses at \$55 million.

Source: Department of Foreign Affairs and Trade, 2014

### 2.3 Korean Financial Services Market

The Korean financial services sector is broadly separated into five key areas (refer to Figure 2), of which foreign financial institutions in Korea constitute roughly 11% of the financial sector assets, with the banking and insurance sectors having the largest presence of foreign companies (15% and 12% market shares, respectively)<sup>11</sup>. The banking sector is comprised of 13 commercial banks (7 national and 6 local), 39 foreign bank branches, and 5 specialised banks<sup>12</sup>. In all, the market is fairly concentrated with the top 5 banks having a 54% market share, and the top ten comprising 81% of the market. The top five Korean banks are outlined in Table 3<sup>13</sup>.

Figure 2: Korean financial services sector market share measured in assets



Source: The International Monetary Fund, 2010

<sup>11</sup> (International Monetary Fund, 2015, p. 12)

<sup>12</sup> (International Monetary Fund, 2015, p. 11)

<sup>13</sup> (International Monetary Fund, 2015, p. 10)

Table 3: Overview of the top five Korean banks and their specialisations<sup>14</sup>

| TOP 5 BANKS  |  | MARKET SPECIALISATION   |
|--|--|---|
| Kookmin Bank                |  | <ul style="list-style-type: none"> <li>As Korea's largest bank, Kookmin offers personal, corporate and international banking products and services.</li> </ul>            |
| Woori Bank                  |  | <ul style="list-style-type: none"> <li>Woori offers personal, corporate and international banking products and services.</li> </ul>                                       |
| Shinhan Bank                |  | <ul style="list-style-type: none"> <li>Shinhan offers personal, corporate and international banking products and services.</li> </ul>                                     |
| NongHyup Bank               |  | <ul style="list-style-type: none"> <li>Known as the National Agricultural Co-operative Federation.</li> <li>NongHyup specialises traditional banking services.</li> </ul> |
| Industrial Bank of Korea  |  | <ul style="list-style-type: none"> <li>Specialises in corporate lending.</li> <li>Industrial Bank of Korea also offers traditional banking.</li> </ul>                    |

Source: The International Monetary Fund, 2015

Oversight of the financial services sector in Korea is distributed across five authorities: the Financial Services Commission (FSC), Financial Supervisory Service (FSS), Ministry of Strategy and Finance (MOSF), Korea Deposit Insurance Corporation (KDIC) and the Bank of Korea (BOK)<sup>15</sup>. The relevant laws and their enforcement decrees have provided FSC, FSS, KDIC and BOK with explicit mandates for financial stability<sup>16</sup>. These mandates cover, the promotion and advancement of the financial industry to ensure the continuance of fair financial transaction practices<sup>17</sup>.

### 2.3 Foreign Bank Activity

Despite some foreign retail banks facing a number of challenges in Korea such as cultural, regulatory, brand establishment and recognition, profitability, and revenue diversification challenges, there are financial institutions that focus on specialist investment situations and corporate lending that promote Australian – Korean trade opportunities which are succeeding. Selected examples include:

1. Macquarie Group Limited (Macquarie) following initial engagements in 1996, pursued a strategy of joint ventures and alliances which led to the Macquarie Korea Infrastructure Fund in 2002<sup>18</sup>. The fund has grown to become one of the leading private sector infrastructure investors in Korea<sup>19</sup>.
2. Hastings Funds Management (Hastings), since opening an office in Seoul in late 2013, has since been appointed foreign General Partner of Incheon International Airport Corporation - National Pension Service Co-operation Partnership Fund<sup>20</sup>.

<sup>14</sup> (International Monetary Fund, 2015, p. 40)

<sup>15</sup> (International Monetary Fund, 2015, p. 12)

<sup>16</sup> (International Monetary Fund, 2015, p. 12)

<sup>17</sup> (International Monetary Fund, 2015)

<sup>18</sup> (Macquarie Korea Asset Management Co., Ltd , 2016)

<sup>19</sup> (Macquarie Korea Asset Management Co., Ltd , 2016)

<sup>20</sup> (Austrade, 2014)

### 3. OPPORTUNITIES AND CHALLENGES FOR AUSTRALIAN COMPANIES IN THE MARKET

With higher life expectancy and low fertility rates, Korea’s population is ageing rapidly<sup>21</sup>; by the middle of the century, Korea will have one of the oldest demography’s of OECD member countries<sup>22</sup>. As such, many Koreans are looking for increased financial security from their personal investments<sup>23</sup>. This means many institutional investors are considering higher returning alternative products such as offshore investments (particularly in infrastructure and real estate), and partnerships with foreign financial services firms<sup>24</sup>. The National Pension Service (NPS) is one such fund that anticipates lifting its total offshore investments by \$US159 billion to \$US237 billion over the next five years<sup>25</sup> according to Yoon Pyo Lee, Head of Investment Strategy at NPS, the fourth largest sovereign fund globally<sup>26</sup>. Other pension and insurance companies have since indicated a similar approach<sup>27</sup>. The opportunity to attract Korean investment funds is significant as outlined in Table 4 and 5, which illustrates the current assets under management of both the top five Korean funds and life insurance companies.

Table 4: Top five Korean funds: measured by assets under management (\$A billion)

| TOP 5 KOREAN FUNDS:<br>Measured by assets under management | \$A BILLIONS |
|--|--------------|
| The National Pension Service (NPS)                         | 614.0        |
| Korea Investment Corporation                               | 117.7        |
| Korea Post (KP)  | 73.9         |
| Korea Teachers Pension (KTPF)                              | 31.5         |
| Korea Teacher’s Credit Union (KTCU)                        | 31.5         |

<sup>21</sup> (Austrade, 2014)

<sup>22</sup> (Organisation for Economic Co-operation and Development, 2006)

<sup>23</sup> (Austrade, 2014, p. 4)

<sup>24</sup> (Austrade, 2014, p. 4)

<sup>25</sup> (Australian Financial Review, 2014)

<sup>26</sup> (Australian Financial Review, 2014)

<sup>27</sup> Mirae Asset Financial (investment manager), Korea Investment Corporation (sovereign wealth fund) and Korea Post (state-owned investor)

Table 5: Top five Korean life insurance companies: measured by assets under management (\$A billion)

| <b>TOP 5 KOREAN LIFE INSURANCE COMPANIES:</b><br>Measured by assets under management |  | <b>\$A BILLIONS</b> |
|--|--|---------------------|
| Samsung Life Insurance Co. Ltd.  |  | 267.3               |
| Hanwha Life Insurance Co. Ltd  |  | 116.8               |
| Kyobo Life Insurance Co. Ltd   |  | 102.3               |
| NongHyup Life Insurance Co. Ltd.   |  | 67.6                |
| ING Insurance Korea Ltd.   |  | 34.9                |

Source: Deloitte Korea estimates 2016

Given the growing trend for international investment, the Australian Financial Centre Forum (AFCF), a Government initiative charged with positioning Australia as leading financial services centre in the region<sup>28</sup>, assisted in the establishment of the Asia Region Funds Passport (the Passport) of which Korea is a member<sup>29</sup>. The Passport is an international initiative that facilitates the cross-border offering of eligible collective investment schemes, while ensuring investor protection in economies participating in the Passport<sup>30</sup>. The proposed benefits of the Passport, which will come into effect in late 2017, include:

- Single market access for managed funds;
- Greater opportunity and provision of Australian financial services, attracting overseas investors into funds managed out of Australia; and
- Strategically placing Australia as a regional base from which to manage offshore assets.

In preparation for greater collaboration, Korean and Australian asset managers met in Australia in early April 2017 to discuss opportunities arising from new cross border trade initiatives<sup>31</sup>. Members of the Korean Financial Investment Association (KOFIA) visited Australia to review the current status of the Australian asset management market. The purpose of the visit was to explore potential investment opportunities, while seeking out channels to expand the network for future ventures into the market, in advance of the Passport scheme<sup>32</sup>. Organised events such as these, are indicative of the Korean appetite for forging new investment partnerships with Australian financial institutions<sup>33</sup>, particularly in exploring future ventures into the Australian market.

<sup>28</sup> (Commonwealth of Australia, 2009)

<sup>29</sup> (Commonwealth Government , 2014)

<sup>30</sup> (Commonwealth Government , 2014)

<sup>31</sup> (Financial Services Council, 2017)

<sup>32</sup> (Financial Services Council, 2017)

<sup>33</sup> (Financial Services Council, 2017)



Korean institutional investors have increased their activities in the Australian market since 2013, with hard assets being the preferred investment class<sup>34</sup>. This has been driven by Australia's AAA sovereign credit rating, and Australian equity markets simultaneously providing higher returns (risk adjusted) compared with other major countries<sup>35</sup>. However, returns on infrastructure projects in Australia have been declining, in part due to increased investment competition in projects.

With the implementation of KAFTA in 2014, Korean investment has been further encouraged due to an increase in the screening threshold from \$A252 million to \$A1,094 million for Korean investments in non-sensitive Australian sectors<sup>36</sup>. Given that 3.4 percent of the \$A2.7 trillion in funds under management within Australia is from international sources, there is potential for the Australian financial services sector to grow its business by managing Asia's wealth<sup>37</sup>. The challenges for both Korean and Australian fund / wealth managers is competition from other international sources. The Australian market has largely been dominated by investment from the United States and the United Kingdom, who in 2015 alone accounted for 44.9 percent of all investment in Australia<sup>38</sup>. Table 6 below outlines selective Korean fund activity and investment in Australia since 2010.

Table 6: Korean Fund Activity and Investments in Australia (since 2010, selective)

| FUND NAME                                   | TYPE                                 | YEAR         | AMOUNT                                      | INVESTMENT   |
|---|--------------------------------------|--------------|---|--|
| Samsung Asset Management                    | Asset manager                        | 2017         | \$US480m                                    | JV with Melbourne based IFM Investors to raise US\$480m private equity fund to invest in infrastructure globally |
| Korea Zinc Company (Sun Metals Corporation) | Metal Smelting                       | 2017         | \$A182m                                     | Solar farm - QLD   |
| Mirae Asset Global Investments              | Investment Management Firm (Private) | 2017<br>2013 | \$A300m<br>\$A340m                          | 50 Marcus Clarke Street – ACT<br>Four Seasons - NSW  |
| LaSalle Investment Management               | Real estate funds manager            | 2017<br>2011 | \$A95m<br>\$A19m                            | Post Office Square – QLD<br>Bought out Trinity Funds Management  |
| SK – Teacher's Pension Fund                 | Pension Fund                         | 2016         | \$A206m                                     | Green Square office tower - QLD  |
| Korean Consortium                           | Institutional Funds                  | 2016         | \$A336m                                     | Woolworth's headquarters - NSW   |
| Korean Investment Partners                  | Private Equity                       | 2016         | \$A13m                                      | Series B financing Aus Biotech Elastagen Pty Ltd   |
| FG Asset Management                         | Investment Management Firm           | 2016<br>2015 | \$A225m<br>\$A112.9m<br>\$A64.8m<br>\$A165m | Louisa Lawson Building – ACT<br>Red Cross – NSW<br>ATO Building – ACT<br>ATO Building – VIC                      |

<sup>34</sup> (Deloitte, 2016)

<sup>35</sup> (Deloitte, 2016, p. 7) (Cushman & Wakefield, 2017, p. 1)

<sup>36</sup> (Austrade, 2014, p. 5)

<sup>37</sup> (Australian Trade and Investment Commission, 2017)

<sup>38</sup> (Department of Foreign Affairs and Trade, 2016)

CONT. Table 6: Korean Fund Activity and Investments in Australia (since 2010, selective)

| FUND NAME                    | TYPE                   | YEAR | AMOUNT    | INVESTMENT  |
|------------------------------|------------------------|------|-----------|---|
| Korean Development Bank      | State Owned            | 2016 | \$A150m   | Stage 1 WestConnex  |
|                              |                        | 2013 | \$A65m    | Stage 2 WestConnex  |
|                              |                        |      | \$A5,007m | Expressed an interest to fund the third Stage of WestConnex - NSW                               |
|                              |                        |      |           | In a consortium with 10 others  |
|                              |                        |      |           | Port Kembla & Port Botany- NSW  |
| Hanwha Corporation           | Multiple Enterprises   | 2015 | \$US33m   | Acquired LDE Corporation Australia (Mining services) - QLD                                      |
| National Pension Service     | Public Pension Fund    | 2013 | \$A800m   | Erina Fair Shopping Centre- NSW   |
|                              |                        | 2010 | \$A685m   | Aurora Place office tower - NSW   |
| Korea Investment Corporation | Sovereign Pension Fund | 2012 | \$A200m   | Investment in a QIC wholesale property fund - QLD   |
| POSCO                        | Steel Producer         | 2013 | \$A9.74m  | Hume Coal Project sole owner, following acquisition of Cockatoo Coal's 30% share in the Project |
|                              |                        | 2012 | \$A1,250m | Roy Hill- WA  |

Source: Published articles circa 2009- 2017

Investing in Australian funds who already understand the market, alleviates the risk associated with investment in Australian equities and real assets. However, some risk will remain and foreign investment creates additional foreign currency, interest rate and taxation risk that will need to be managed.

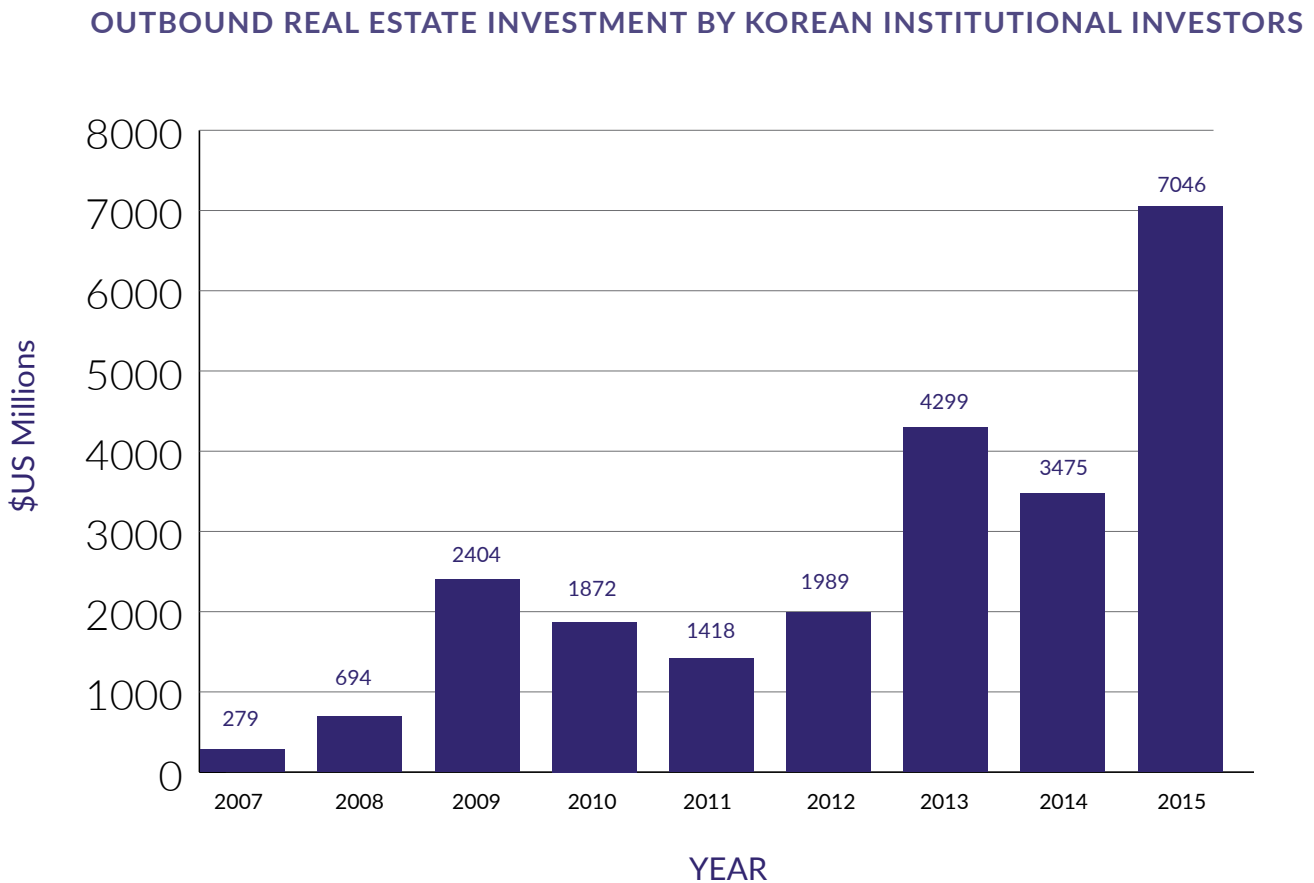
Data from 2016 demonstrates that Australia remains an attractive centre for Korean foreign real estate investment<sup>39</sup>. Meanwhile, net cross-border acquisitions (excluding Asia) by Korean investors in international markets reached \$US4.6 billion through to the beginning of December 2016<sup>40</sup>, with a further estimated \$US2.5 billion worth of real estate transaction likely to be closed by 31 December 2016<sup>41</sup>.

<sup>39</sup> (Real Capital Analytics, 2016)

<sup>40</sup> (Real Capital Analytics, 2016)

<sup>41</sup> (Real Capital Analytics, 2016)

Figure 3: Summary of outbound real estate investment by Korean institutional investors 2007-2015



Source: Deloitte, 2016

In addition to present trends pointing to a growing prevalence in Korean offshore investment, there is the opportunity for Australia and Korea to capitalise on shared services, particularly across engineering, procurement and construction (EPCs)<sup>42</sup>. This is supported by Korean EPC contractors collectively having participated in over 100,000 contracts since 1965 across 149 countries, with a total net worth of more than \$US700 billion<sup>43</sup>. By capitalising on this opportunity for shared services, Australia can benefit from collective participation in both Korean investment and specialist Korean EPC expertise.

<sup>42</sup> (Australian Trade and Investment Commission, 2017)

<sup>43</sup> (Australian Trade and Investment Commission, 2017)

## 4. KEY AUSTRALIAN PLAYERS IN THE KOREAN MARKET

### 4.1 Macquarie Group (Macquarie)

Macquarie has been active in the Korean market since 1996, initially acting as co-advisor to Korean clients with regards to cross-border transactions<sup>44</sup>. Following their initial activity, Macquarie began pursuing a 'strategy of establishing joint ventures and alliances with top Korean financial institutions such as Kookmin Bank, Shinhan Financial Group and Woori Bank'<sup>45</sup>.

Macquarie has established a number of businesses within Korea, and opened their first branch in December 2009 following the receipt of their financial license required for banking services<sup>46</sup>.

Most notably, Macquarie established the Macquarie Korea Infrastructure Fund (MKIF) in 2002 with the mandate to 'invest in entities that construct or operate infrastructure businesses such as toll roads, bridges and tunnels in Korea'<sup>47</sup>. This has allowed MKIF to become a leading private sector infrastructure investor in Korea and with the largest portfolio of infrastructure assets in Korea that have been, or are being, constructed under the Act on Public Private Partnership in Infrastructure (PPI Act)<sup>48</sup>. Macquarie announced in May 2017 its intention to raise a second Asia Infrastructure Fund seeking to invest in Asian infrastructure projects which offer a competitive risk adjusted return<sup>49</sup>.

### 4.2 Pepper Group (Pepper)

Pepper is an acquisitive non-bank residential mortgage lender which acquired Evergreen Savings Bank, a thirty-one year old mutual savings bank with just two branches that are located near Seoul<sup>50</sup>. The bank, renamed Pepper Savings Bank will be used for the launch of the group's traditional retail banking strategy in Korea<sup>51</sup>. Pepper's current service offering including deposits, residential mortgages, personal loans and auto finance.

### 4.3 ANZ

Since opening a branch in Seoul in 1978, ANZ has been offering a range of commercial banking products and services to support the activities of both international and local customers in their business activities in Korea<sup>52</sup>. ANZ is predominately focused on the corporate lending market particularly for Australian - Korean trade and projects.

### 4.4 Hastings Funds Management (Hastings)

Hastings is a leading fund manager of alternative assets specialising in the acquisition and management of infrastructure, property, alternative debt and private equity<sup>53</sup>.

Opening an office in Seoul in late 2013<sup>54</sup>, Hastings was appointed the foreign General Partner of Incheon International Airport Corporation - National Pension Service Co-operation Partnership Fund.

### 4.5 IFM

In early 2017, IFM launched a global infrastructure debt fund for Korean investors with Samsung Asset Management. The Infrastructure Debt Fund has raised \$500m from four large Korean institutions. Further, In November 2016, IFM Investors teamed up with South Korea's KDB KIAMCO, the infrastructure-investing arm of a state-run bank, to raise a \$100 million global infrastructure debt fund. Major South Korean insurance companies, including Nonghyup Life Insurance Co. Ltd., Mirae Asset Life Insurance Co. Ltd. and Dongbu Insurance Co. Ltd., participated in the fund.

<sup>44</sup> (Macquarie Bank, 2004)

<sup>45</sup> (Macquarie Bank, 2004)

<sup>46</sup> (Macquarie Bank, 2009)

<sup>47</sup> (Macquarie Korea Asset Management Co., Ltd , 2016, p. 4)

<sup>48</sup> (Macquarie Korea Asset Management Co., Ltd , 2016, p. 4)

<sup>49</sup> (Australian Financial Review, 2017)

<sup>50</sup> (Australian Financial Review, 2013)

<sup>51</sup> (Australian Financial Review, 2013)

<sup>52</sup> (Australia and New Zealand Banking Group Limited, 2011)

<sup>53</sup> (Westpac Group, 2008)

<sup>54</sup> (Austrade, 2014)

<sup>55</sup> (The Korea Times, 2015)

<sup>56</sup> (Austrade, 2014, p. 5)

## 5. Conclusion

Australia and Korea have long been trade partners, developed on the back of Korea's industrialisation feeding demand for Australia's raw material exports to Korea, and Australia importing Korean products. Financial services and investment provides opportunities to further the Australia - Korea economic partnership<sup>55</sup>. This is supported through Australia having a reliable, well-regulated and transparent investment environment<sup>56</sup>, leaving Australia's financial services sector well placed to take advantage of Korean investors looking abroad for investment opportunities, so as to manage their long term pension and insurance liabilities. Australian companies are best placed to take advantage of this opportunity through the provision of wealth and fund management options.

Similarly, the development of KAFTA and the Passport scheme reinforces Australia's future economic partnership with Korea. Both initiatives have and will continue to contribute to greater transparency and fluidity of financial services between the two nations.

The following table highlights both the present and future opportunities, as discussed within this report.

Table 7: Present and future Australian and Korean opportunities in the financial services sector

| OPPORTUNITIES IDENTIFIED WITHIN THE AUSTRALIAN FINANCIAL SERVICES SECTOR   | TIMING  |
|--|---|
| 1. Provision of Australian financial services to Korean investors, particularly corporate banking, funds management and infrastructure investment  | Current: the Korean market demands greater return on investment, increasing interest in outbound investment                                 |
| 2. Forging of new investment partnerships between Korea and Australia  | Current: greater occurrence since 2004  |
| 3. Korean investors are eligible to invest \$A1,078 million in non-sensitive Australian sectors, up from \$A248 million – real estate and infrastructure project development opportunities                                   | Current: effective following the introduction of KAFTA in late 2014   |
| 4. Korean and Asian wealth management is an opportunity for growth in the Australian financial services sector. Currently only 3.4% of \$A2.7 trillion in funds under management within Australia from international sources | To grow significantly over the next five years as KAFTA opens opportunities for additional Korean capital flows to Australian fund managers |
| 5. Australia and Korea have the opportunity to capitalise on their shared services particularly across engineering, procurement and construction, given Korea's strong international EPC expertise.                          | Current: underway and set to continue into the future as greenfield and brownfield project opportunities become available                   |

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