



STATEMENT
by the
WORLD INFORMATION TECHNOLOGY AND SERVICES ALLIANCE
on the
WTO FINANCIAL SERVICES NEGOTIATIONS
September 15, 1997

Introduction

The World Information Technology and Services Alliance (WITSA) is a global alliance of more than twenty-five information technology associations dedicated to the promotion of the information technology industry worldwide. WITSA believes that a robust and viable IT industry is beneficial not only to its members, but also to the economies of their countries. Therefore, WITSA is proactive on issues which will benefit the industry and its users.

WITSA believes that the current Financial Services negotiations being conducted under the auspices of the World Trade Organization are important to the information technology industry both as a market and as an investment vehicle. Some predict that by the year 2000, the financial services information technology business will exceed 300 billion U.S. dollars. Thus, a robust and competitive financial services industry will provide many benefits not only to the information technology industry, but to member governments' economies as well.

WITSA supports the full liberalization of financial services markets worldwide as soon as possible. Countries not able to liberalize immediately should agree to do so by a date certain with phased implementation in the interim.

Background

Negotiations to liberalize financial services were a part of the Uruguay Round of trade talks which resulted in the General Agreement on Trade in Services

(GATS). However, the parties were unable to reach an accord and negotiations were continued until June 30, 1995.

During the months leading up to June 30, 1995, negotiators met frequently in bilateral discussions, in small groups and in sessions with all participants. By the agreed to end date, a range of offers had been received. In the final analysis, however, the United States concluded that the offers were not sufficient in either quantity or quality. Consequently, the United States exercised its legal right under the system to take a Most-Favored-Nation (MFN) exemption, causing the other countries to implement an interim accord until November, 1997. A new round of negotiations began in April, 1997, and is scheduled to conclude by December 12, 1997.

Information Technology and Financial Services

The nexus between financial services and information technology is multifaceted. On the one hand, information technology is a key ingredient in improving the competitiveness of the financial services sector. On the other hand, the financial services sector represents a large and growing market for information technology. Overlaying both of these phenomena, however, is the positive impact that, by working together, they have on the economies and employment of countries committed to liberalizing their financial services regimes.

Today, technology and telecommunications are key enablers in financial services for improving products, processes, and services; getting closer to customers; and generating new business opportunities. Information technology is enabling the re-engineering of all key processes within depository institutions, consumer finance companies, insurance firms, and securities organizations.

While information technology is having a dramatic impact on the efficiency and competitiveness of companies in the financial services industry, that industry sector itself represents a large and growing market for the information technology industry. Some have concluded that that marketplace today is between 200 and 300 billion U.S. dollars per year, and all sectors are benefiting. Hardware, software, consulting, outsourcing and other types of services delivery are all participating in the dynamic and growing financial services area.

Depository institutions and other types of financial services companies are using information technology for a range of activities: check and payment processing, account processing and reconciliation, credit card authorization and processing, loan processing and servicing, and automated teller machine functioning.

Virtually no transaction is accomplished in these organizations without some information technology interface.

In the insurance field, information technology is used in claims processing, risk management, premium collection and fraud detection. The evolution of robust telecommunications has been particularly important in the insurance area as a means of linking far-flung agent networks into the home company providing a tighter relationship with the home companies and enhanced services to the customers.

The securities industry is also a massive user of information technology. Virtually all back office processing as well as settlement are fully automated. Increasingly, trading itself is becoming dependent on information technology and promises to be a large and rapidly growing market in the future.

Finally, all of the financial services sectors discussed above are dependent on information technology for communications worldwide, payroll and accounting, reporting and compliance, decision support, and customer analysis and care. The increasing globalization of this important industry sector will only increase the need for the products and services of the information technology industry.

A liberalized financial services market will increase the pace of information technology growth in the sector. Institutions entering new markets will bring new information technology providers with them, while incumbent institutions will seek increased efficiency and competitiveness through the use of enhanced technology. This activity will also spur the growth and expertise of the local information technology industry. Thus, liberalized financial services will provide unimaginable benefit and growth to the information technology industry. This will result in overall employment growth with a consequent improvement of the local economy itself.

At the same time, additional competition in financial services will enhance investment options for the information technology industry. Worthy IT companies will gain access to capital in areas of the world and at terms not available today.

Thus, the current financial services negotiations have tremendous promise for the future information technology business. A more robust financial services sector brought on by an overall market liberalization, will mean a more vibrant information technology market. Economies will see employment and growth in not just the financial services sector, but in others as well. For this reason the negotiations deserve the attention of individuals, businesses and governments

alike. Thus, WITSA has prepared and endorsed this Statement which outlines its position relative to the financial services negotiations.

WITSA Objective - A Privatized and Fully Liberalized Regime

WITSA believes that there are two necessary ingredients to an acceptable financial services regime - privatization and liberalization. Financial services institutions, free of government control and subject to the forces of the market are required to maintain a price and service structure which is conducive to business. Privatization by itself, however, is not sufficient. It must be accompanied by liberalization which permits competition in the marketplace to flourish.

In liberalization, the first essential step is for countries to commit to opening their financial services markets to competition. This means that countries must bind their markets open with no restrictions by some date certain. While this commitment may include some phase-in components, the time period must not be unreasonably protracted and some significant opening must occur immediately. New barriers must not be erected in the interim and existing investments must be grandfathered.

A second necessary step in the liberalization process is to permit foreign financial institutions to establish and organize themselves without undue restriction. This would include, to the extent possible, the right to have 100 percent foreign ownership, removal of barriers to cross-border services, and guarantees of reasonable movement of key personnel. Upon establishment, non-national organizations should be treated comparably to domestic firms (National Treatment).

The final step in liberalization is the elimination of restrictions on products and services. Innovative offerings should not be unduly restricted either by type or approval processes. Other restrictions such as foreign currency requirements, impediments to the free flow of financial data, or other limitations, must be eliminated. Remaining rules and regulation should be transparent and non-discriminatory with an open comment process in place.

Conclusion

WITSA urges governments throughout the world which are WTO members to:

- Present a truly liberalizing financial services offer using the attributes presented in this paper as a model
- Commit to a specific date for complete liberalization with significant phased-in commitments in the interim

- Eliminate remaining rules and regulation which constitute technical and non-technical barriers to competition