



Expert Meeting on  
**THE IMPACT OF ACCESS TO FINANCIAL SERVICES,  
INCLUDING BY HIGHLIGHTING THE IMPACT ON REMITTANCES ON  
DEVELOPMENT: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH**  
*12-14 November 2014*

**SESSION 6:**  
**FINANCIAL INCLUSION, TRADE AGREEMENTS AND REGULATORY REFORM**

Ms. Dorothee Rouzet  
Trade Policy Analyst  
Trade and Agriculture Directorate, Trade in Services Division  
OECD, Paris





# MEASURING TRADE RESTRICTIONS IN FINANCIAL SERVICES

*Dorothee Rouzet, OECD Trade and Agriculture Directorate*

UNCTAD Expert Meeting on the Impact of Access to Financial Services  
“Financial inclusion, trade agreements and regulatory reform”

Geneva, 12-14 November 2014



# Measuring trade liberalisation in financial services: Some challenges

The OECD Services Trade Restrictiveness Index provides an inventory of regulatory impediments to trade in services, including banking and insurance

- Trade restrictions in services are not easy to define and identify as they are contained in “behind the border” regulations
- There are many motives for financial regulation – it can be difficult to disentangle prudential regulations and consumer protection measures from trade-restrictive ones
- The information should be comparable across countries although institutional characteristics and business models in the financial sector can vary widely



## What is the STRI?

---

# A regulatory database

- Filled in by the OECD Secretariat, verified and peer reviewed by members
- Information on regulation, link to source (law/regulation), explanation where needed
- Online, frequently updated
- Interactive

# Composite indices

- A snapshot of trade restrictiveness in 18 sectors including banking and insurance
- 40+ countries: 34 OECD members, Brazil, China, India, Indonesia, Russia, South Africa



# Why the STRI? Access to information on services regulations relevant for trade

To obtain the information gathered for the STRI, you have to look at 16,000 laws and regulations

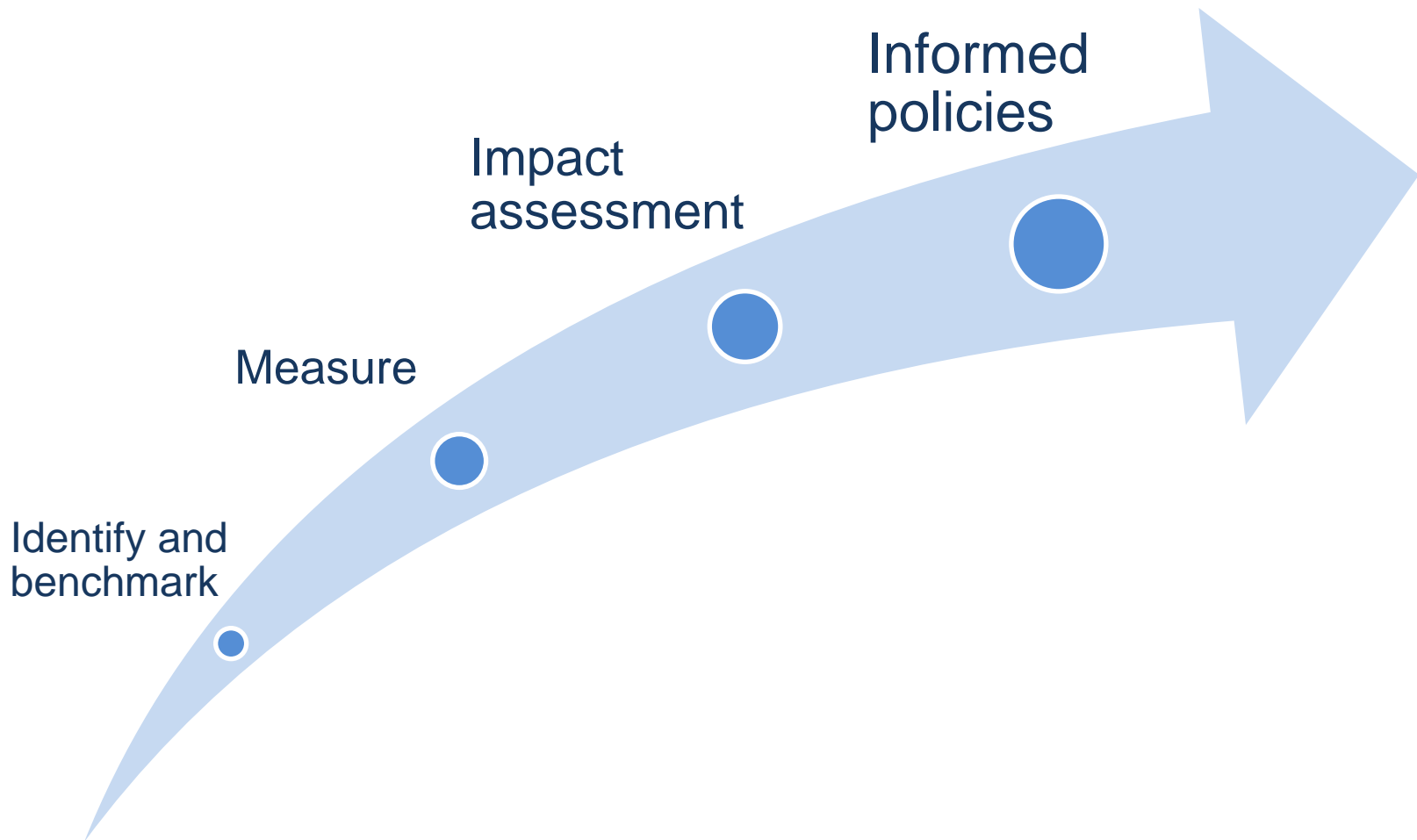


There are 135 GATS schedules with more than 100,000 commitments and 113 RTAs in force covering services

The US federal laws and regulations on banking alone are 9949 pages long

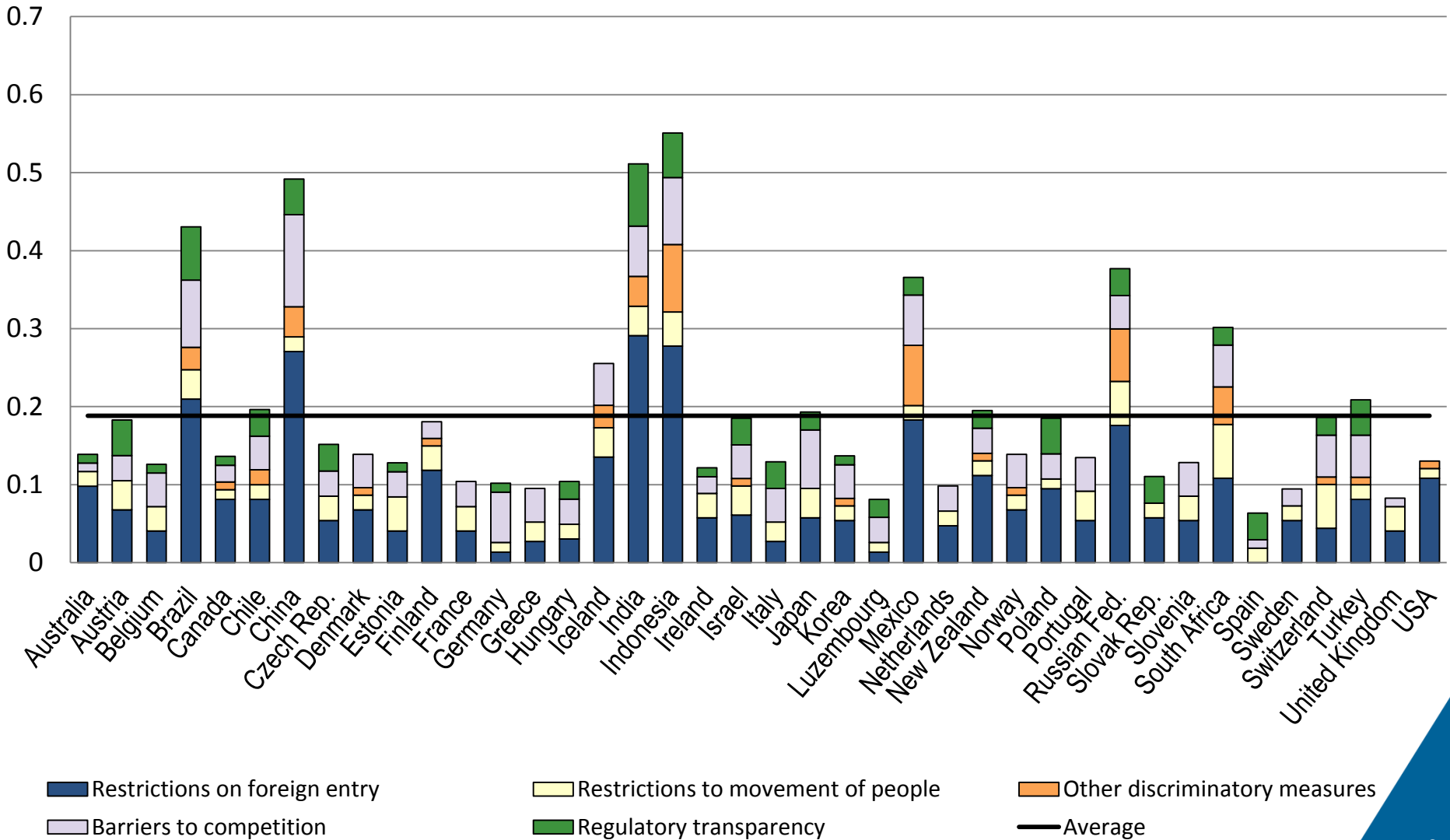


# Why the STRI? Access to information on services regulations relevant for trade





# STRI indices: Commercial banking





# Commercial banking: What drives the results?

---

## Restrictions on establishment

- Foreign equity limits
- Restrictions on legal form
- Restrictions on branch and ATM networks
- Restrictions on e-banking and mobile banking

## Restrictions on cross-border transactions

- Prohibition of cross-border deposits, loans and payment services
- Foreign exchange controls

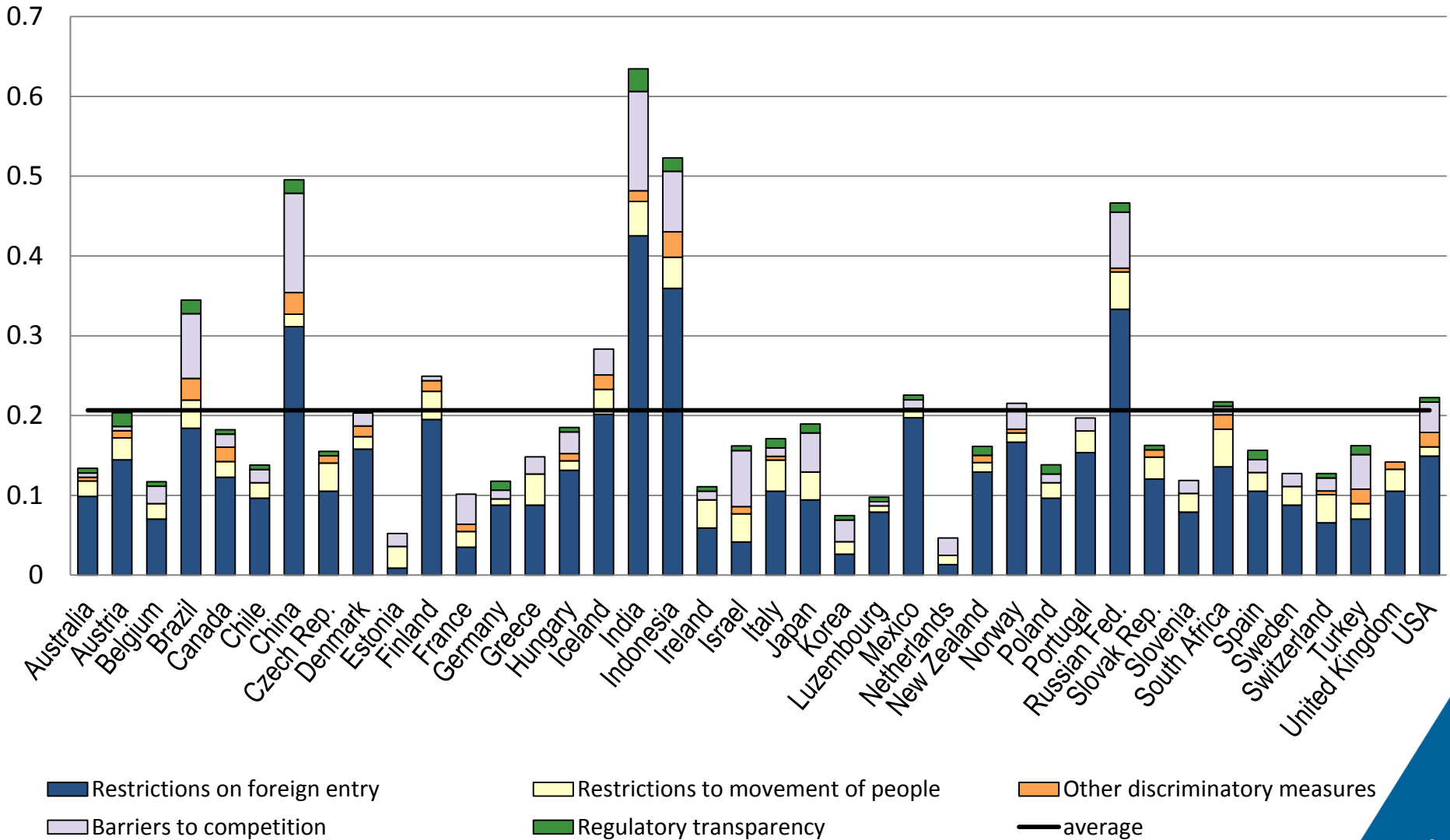
## Barriers to competition

- Interest rate restrictions
- Prior approval of individual products
- Access to infrastructure and network services
- Lack of transparency in the regulatory process





# STRI indices: Insurance





# Insurance: What drives the results?

---

## Restrictions on establishment

- Foreign equity limits
- Restrictions on legal form
- Discriminatory licensing conditions
- Restrictions on insurance intermediaries

## Restrictions on cross-border transactions

- Prohibition of cross-border trade
- Right of first refusal for domestic insurers
- Limits on reinsurance cessions

## Barriers to competition

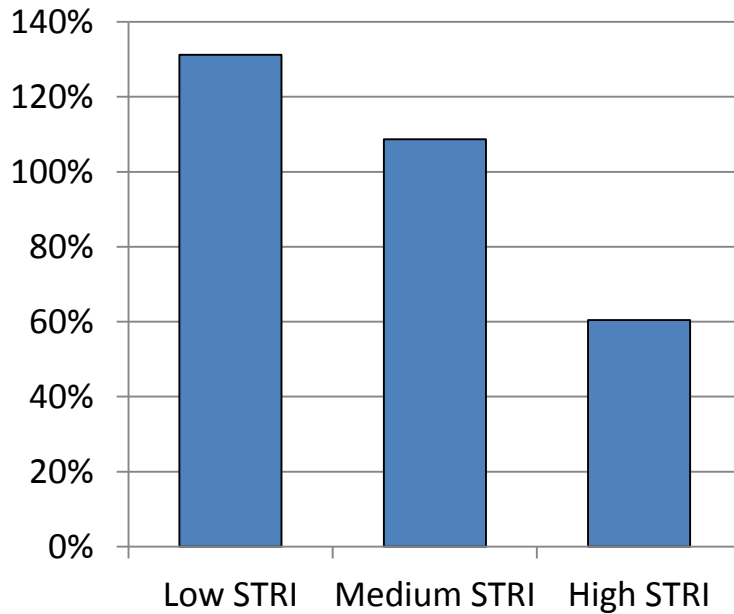
- Preferential treatment of state-owned insurers
- Pricing restrictions
- Prior approval of individual products
- Lack of transparency in the regulatory process



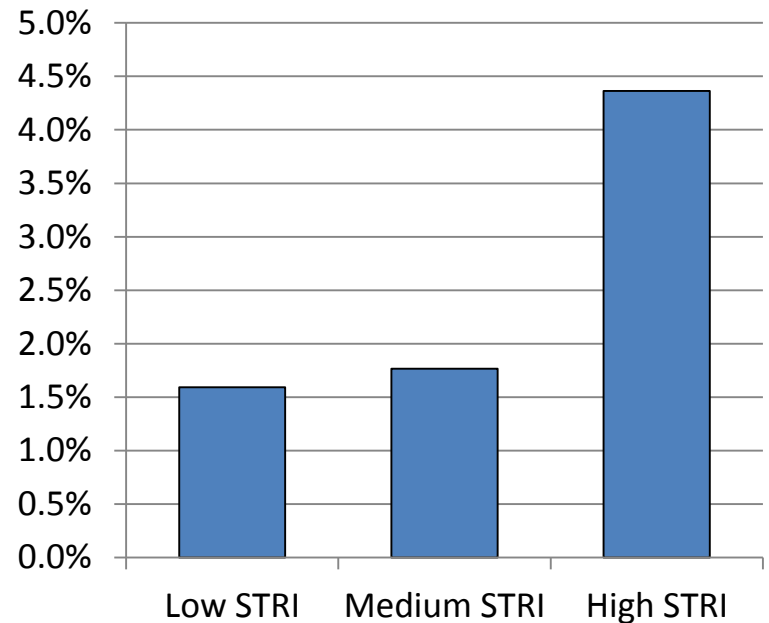
# Why does it matter?

## Credit market development

Domestic credit to the private sector by banks (% of GDP)



Net interest margin



Sources: WDI, OECD

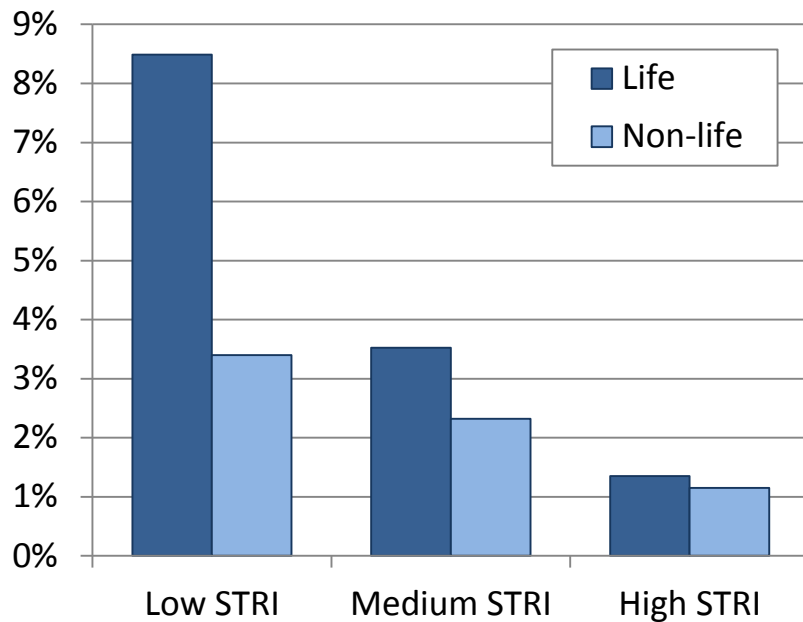
Note: Categories defined relative to the average  $\pm$  0.5 s.d.



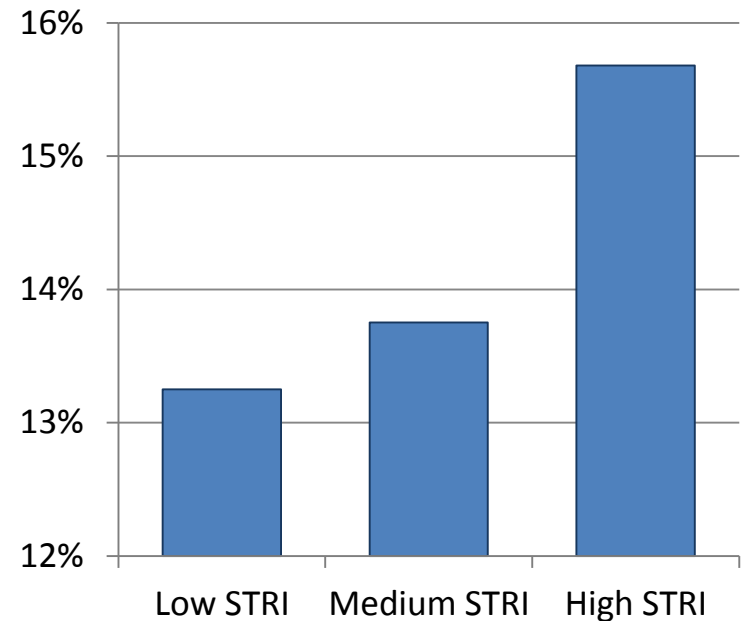
# Why does it matter?

## Insurance market development

Insurance penetration  
(% of GDP)



Operating expenses  
(% of gross premiums)



Source: OECD Insurance Statistics

Note: Categories defined relative to the average  $\pm$  0.5 s.d.



# Trade liberalisation in financial services is not to be taken in isolation

---

- Complementary set of policies
  - Sound and effective supervision (micro- and macro-prudential regulation, cooperation home/host supervisor)
  - Resolution framework
  - Competition law and enforcement
  - Predictable business environment
  - Other services (bank/insurance/telecoms/post...)
- Mode 3 liberalisation usually comes first
  - Mode 1 liberalisation requires capital account liberalisation
  - 110 countries have GATS commitments in banking but mode 1 often unbound. The STRI shows a similar pattern.



# Conclusion

---

- The STRI project provides a set of comparable and verified information on trade policy and regulations currently in force.
- The database and indices are designed for:
  - Providing background information for trade negotiations
  - Calculating “water” in existing trade agreements (GATS, PTAs)
  - Identifying regulatory bottlenecks and regulatory spillovers across sectors
  - Estimating ex ante the likely impact of proposed trade agreements or reforms on industrial structure, employment, relative wages and welfare
- To extend the coverage of the financial services restrictions database, special attention is to be paid to the fact that there is no “one size fits all” model: differences in technology, social objectives, role of commercial banks vs other financial actors



Thank you for your attention

[Dorothee.Rouzet@oecd.org](mailto:Dorothee.Rouzet@oecd.org)

Visit the STRI website: <http://oe.cd/stri>