



Digital Trade in Financial Services

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Group (ITIG)**

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Digital Trade in Financial Services

A cluster of activities including:

- information, communications and telecommunications (ICT) consultancy;
- data-flows, and the cross-border electronic supply of services;
- data transfer and data storage



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Digital Trade: Opportunities & Threats

International trade in IT services grew 150% between 2000 and 2009 and is positively correlated with both foreign investment and internet availability.

- *Professor Mann (Peterson Institute for International Economics) evidence to US Senate Finance Committee 18 November 2010*

“Global restrictions in this cluster of activities currently pose one of the greatest threats to liberalisation of financial services and free and open pathways for trade flows in such services between countries”

- *TheCityUK Evidence for UK Government White Paper 2011*



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Data Processing in Global IT Hubs –The Benefits

Synergies and economies of scale

Shared central infrastructure and technology platforms

Standardisation:

- Simplification & streamlining
- Reduced errors
- Improved productivity

System scalability reduces:

- Transaction costs
- New product costs
- Geographical expansion costs

Centralised infrastructure →risk mitigation & improved data protection

- Higher-grade technology
- Platform stability
- More robust business continuity in emergencies



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Data Processing in Global IT Hubs –The Threats

Regulatory restrictions on off-shoring:

- Requiring customers' personal data to be maintained on servers in the home jurisdiction;
- Requiring business data to be duplicated locally;
- Interference in management of outsourcing services, particularly those maintained offshore
- Requiring duplication of data onshore for business continuity



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Restrictions on Data Processing Typical Cases

Limits on Off-shoring – Korea, China, Indonesia

Limits on Outsourcing – Taiwan, Thailand

Data Privacy Restrictions – Malaysia, Taiwan, Hong Kong

Encryption – China

And now – India (RBI Discussion Paper)



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Remedies (1) Trade

- Treating barriers to data processing as potential breaches of GATS
- Provisions in bilateral trade agreements expressly allowing free cross-border data-transfer, with appropriate privacy protection
- Provisions in all future trade agreements expressly prohibiting requirements to locate IT infrastructure (e.g. servers) within a jurisdiction as a condition for permission to process data or to provide digital financial services



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Remedies (2) Non-Trade

- Wider IT industry voluntary standards on data processing (as encouraged under the WTO Technical Barriers to Trade (TBT) Agreement)
- International harmonisation of data privacy requirements
- Adoption of internationally accepted security frameworks (such as ISO 27000) and the use of third party auditors to reassure regulators that data is fully protected without the need for cross-border restrictions
- Agreed messages to be used by local financial services representatives in discussions with local regulators and government officials on offshore data-processing



Thank You!

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