



First for Business

New South Wales
Department of State and
Regional Development

Financial Services

Profile of a growth industry



Financial Services



New South Wales Government

Key trends in Sydney's Financial Services Industry

Financial services is the fastest growing service industry in New South Wales, recording an average annual growth rate of more than 9 per cent (total factor income) between 1995–96 and 2005–06. Importantly, Sydney is increasingly dominant in finance; its proportion of Australian financial services grew from 39 per cent in 1995 to 42 per cent in 2005.

Banking is the dominant sector of the Australian financial services industry, accounting for 50 per cent of total assets. The sector continues to grow, with the recent establishment of four offshore banks in Sydney, including: *China Construction Bank*, *Bank of Baroda*, *Bank of Ireland* and Australia's first foreign central bank; *The People's Bank of China*.

Funds management and foreign exchange are expected to fuel continued growth in financial services in New South Wales. Australia's funds management sector has burgeoned, driven by the nationally mandated retirement income scheme.

Australia advanced one place to overtake Switzerland as the world's seventh largest stock market.

Another key trend is export growth in financial services. New South Wales' financial services exports increased by almost 60 per cent between 1996–97 and 2006–07, growing at an average annual rate of 4.7 per cent.

The financial services industry is an excellent example of the way New South Wales' infrastructure and regulatory framework have fostered a thriving business community that has resulted in high quality, sustainable jobs. All these facts strengthen Sydney's position as a key financial service centre in the Asia Pacific region.

Financial services

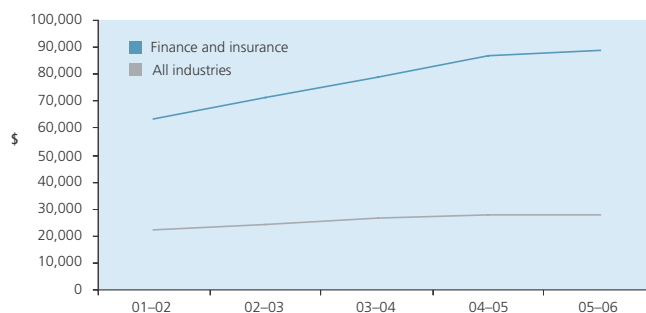
The financial services industry includes banking and insurance, non-bank financial services such as building societies, the securities exchange and services to finance and insurance businesses.



Growth in the industry has been driven by:

- the globalisation of financial transactions
- development of new and more sophisticated financial services and products
- increased international activity by NSW institutions
- significant growth in the funds management industry, partly due to compulsory superannuation in Australia, and partly due to the increasing funds under management worldwide.

NSW gross business income per employee



Gross business income is gross operating surplus plus gross mixed income.
Source: ABS Cat No 5220.0 State Accounts and 6291.0.55.003 Labour Force Survey.

As a dynamic global city and a leading financial services centre, Sydney was a natural choice to roll out Citco's servicing solutions for the Asian Hedge Fund industry. CITCO

Financial services employment, 2006–07

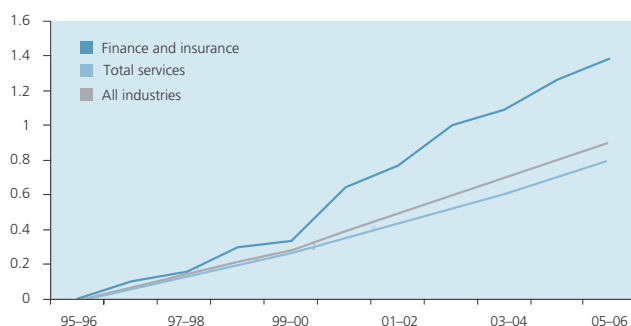
States and Australia	2006–07 ('000)	Share of employment (%)
New South Wales	168.0	42.3%
Victoria	105.0	26.4%
Queensland	59.6	15.0%
South Australia	22.5	5.7%
Western Australia	30.1	7.6%
Rest of Australia	11.8	3.0%

Key statistics

- Finance and Insurance accounts for almost 8 per cent of Australia's GDP, making it the third largest industry in the national economy. It is also the third largest industry in NSW, behind property and business services and manufacturing, contributing A\$31 billion to the State's economy in 2005–06.
- Sydney's financial services workforce is growing strongly and is approaching half the size of London's and over 40 per cent the size of New York City's market. In 2006–07, 168,000 NSW people were employed in financial and insurance industry, 42 per cent of the total Australian financial workforce and 5.1 per cent of the State's total workforce.
- Finance and Insurance is the fastest growing industry in NSW, recording growth of over 9 per cent per annum (total factor income) between 1995–96 and 2005–06.
- Australia has the fourth largest pool of investment fund assets in the world and the largest in Asia. As a result of compulsory superannuation fund contributions, total consolidated funds under management are growing strongly in Australia and reached A\$1.3 trillion in June quarter 2007, up 22 per cent on a year ago. The assets of superannuation funds were A\$1.2 trillion in June quarter 2007, and are expected to triple in the next 10 years.
- Australia's foreign exchange market more than doubled in annual turnover between 2001–02 and 2006–07. The average daily value of turnover in all currencies was A\$203 billion in the year to February 2007, with 53 per cent in non-AUD transactions.

- In NSW, gross business income per employee is more than double the total workforce, with strong productivity growth in the past five years.
- NSW leads the nation in employment growth in financial services. In the period 1996–07 to 2006–07, 43 per cent or 34,000 of the 79,000 jobs created in Australian financial services were in NSW.
- NSW is a growing net exporter of financial services. In 2006–07, it registered a trade surplus of A\$177 million in financial services and an increase in the trade surplus of A\$113 million or almost 180 per cent in 10 years. Exports of NSW financial services increased by almost 60 per cent between 1996–97 and 2006–07, or 4.7% per annum.
- In July 2007, banks in Australia held local assets of A\$1.9 trillion. Of the 55 authorised deposit-taking banks in Australia, 53 have operations in Sydney. This includes all of the 10 foreign subsidiary banks in Australia and all of the 31 local branches of foreign banks.
- Australia's banking system has minimal risk due to well-managed interest and foreign exchange risks by all four major banks. The International Monetary Fund highlights high earnings, strong asset growth and low levels of problem assets as characteristic of the Australian banking system.
- Financial Services industry growth is supported by a world class regulatory environment. Australia has been rated by the International Monetary Fund as having one of the soundest regulatory and supervisory structures in the world.
- Sydney is the head office location of the Reserve Bank of Australia, The Australian Securities Exchange and the Australian Financial Markets Association. It is the first major market to open every day.

NSW income growth since 1995–96



Sydney was chosen as a key regional location due to it being a very sophisticated financial market with a large pool of highly educated, skilled and multilingual professionals.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

Company snapshots

Deutsche Bank

With around 75,000 employees worldwide, Deutsche Bank chose Sydney to locate more than 240 high value global technology and operations jobs in information technology, operations and corporate services. Deutsche Bank's existing Sydney operation, with around 1000 staff, includes one of its two global processing hubs for foreign exchange.

The Bank's average daily trades in foreign exchange processed in Sydney have increased from 600 in 1999 to 45,000 in 2006. Deutsche Bank believes growth potential for servicing the region and the world is in the area of sophisticated operations and complex product technology. With Sydney now truly integrated into the Bank's global operations, Deutsche Bank expects more high-skill, well-paid jobs will be created here to service the northern hemisphere.

Fidelity International

Fidelity International Limited, which was founded in 1969, manages more than A\$345 billion in assets for millions of private and institutional investors around the world. Fidelity has two major businesses in Australia – Fidelity Investments Australia Ltd and Fidelity Asia Services Pty Ltd. Since 2005, the company has created more than 100 jobs across both operations.

Fidelity Asia Services provides centralised finance and accounting functions for Fidelity's businesses in Japan, Korea, Hong Kong, Taiwan and Singapore, in addition to Australia. Growth has continued in 2007 as new regional departments have been added, including investment marketing services, regulatory reporting, Asia regional analysis, corporate security, tax, the company secretary and treasury. Further growth is planned over the next few years as Sydney becomes a key regional hub for Fidelity's business operations.

Fidelity Investments Australia's business operations include sales, marketing and client service, and its Australian equities portfolio management and research team. A range of country, regional and global equity funds are offered to institutional investors and to retail investors through wrap accounts and master trust platforms. Demonstrating its innovation, Fidelity was the first fund manager to offer Australian investors the chance to invest solely in Indian equities through the Fidelity India Fund and is one of only a handful of fund managers offering a dedicated China equities fund.

Macquarie Group

The Macquarie Group is a diversified international provider of banking, financial, advisory and investment services, headquartered in Sydney, Australia.

Macquarie's strategy is to expand selectively and enter markets only where its particular skills and expertise deliver real value to clients. This approach provides the strategic flexibility to enter new sectors and regions as opportunities arise and to respond to the specialist requirements of individual markets. As a result, Macquarie has established leading positions in a diverse range of markets.

In Australia and New Zealand, Macquarie is a market leader in investment and financial services. In Asia, Macquarie offers a full range of investment, financial market and advisory products and services, and in Europe, the Middle East, Africa and the Americas, Macquarie focuses on particular business areas in which its expertise delivers value to clients.

Macquarie has grown substantially since its beginnings in Australia in 1969 – and more recently has reported successive years of record profits and growth since 1992. Macquarie now employs more than 11,000 people in 25 countries.

Morgan Stanley

With around 53,000 staff worldwide, Morgan Stanley chose Sydney to locate more than 220 jobs in its Asia Pacific infrastructure centre. The centre provides global confirmation, settlement and reconciliation transaction processing for international equities and fixed income, plus finance and human resources services to the bank's employees throughout the Asia Pacific region. Transactions are all conducted offshore but routed to Sydney for processing. Complementary centres in Singapore, Baltimore, Glasgow and Budapest handle transactions during the remainder of the day.

While banks around the world have grouped transaction settlement and reconciliation into operations centres, Morgan Stanley is one of the first financial services groups to combine finance and human resources functions into regional service centres. Morgan Stanley's presence in Australia includes full service investment banking activities. Morgan Stanley chose Sydney for its Asia Pacific infrastructure centre because of its mature financial marketplace, the right mix of graduates and skilled personnel, the Asia Pacific time zone, competitive office costs and availability of language skills.

BankWest, part of HBOS Australia, accelerated its national expansion program in 2007 with the opening of its first retail stores in NSW. During the next three years, BankWest will make a significant financial investment and increase its workforce by about 60 per cent as it rolls out more than 100 retail stores nationally. HBOS Australia's national headquarters are based in Sydney – the centre of Australia's financial market.

Sydney was a natural choice to establish our regional office. The city has a high concentration of skilled finance professionals, a well regulated market and a growing number of Chinese firms specialising in finance and resource related industries. THE PEOPLE'S BANK OF CHINA

REPRESENTATIVE OFFICE FOR THE SOUTH PACIFIC



Industry growth – key facts

Financial Market Turnover. Annual turnover increased by 19.8 per cent to A\$120 trillion (US\$102tn) in 2006–2007 across Australia's financial markets (over-the-counter and exchange traded) – measured by Australia's debt, equities, foreign exchange and derivatives markets.¹

Investment Funds. The consolidated assets of Australia's investment funds – the fourth largest² in the world – grew by more than 22 per cent to A1.3 trillion³ (US\$1.1 trillion) during 2006–2007, up A\$242 billion on the previous year's figure.

Stock Market. Australia's stock market advanced one place to overtake Switzerland as the world's seventh largest.⁴

Foreign Exchange (FX) Market. Australia has the fastest growing FX market in the Asia time zone.⁵

Debt Market. Australia's international debt securities market⁶ is by far the largest in the Asia Pacific, while Australia's domestic debt securities market is the fourth largest behind Japan, China and South Korea.

Hedge Funds. Assets under management by hedge fund managers in Australia have increased seven-fold in the past five years to reach A\$70.3 billion (US\$59.7bn), the largest hedge fund industry in Asia.⁷

Private Equity and Venture Capital. Australia's private equity and venture capital industry is one of the leaders in the Asia Pacific region and ranks 11th globally.⁸

1. AFMA, 2007 Australian Financial Markets Report.
2. Investment Company Institute, Worldwide Mutual Fund Assets and Flows, March Quarter 2007.
3. Australian Bureau of Statistics, cat. no. 56550.0, Managed Funds, Australia, June quarter 2007.
4. Standard & Poor's, Global Stock Market Review, Monthly Report, World By Numbers, September 2007.
5. Bank for International Settlements, Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in April 2007.
6. Bank for International Settlements, Securities Statistics, Quarterly Review, September 2007.
7. AsiaHedge and LCA Group.
8. Private Equity Media, Australian Venture Capital Guide 2007.

Australia has one of the world's most highly developed financial services markets. ING has had a major presence here for many years, and now has over 2,300 staff based Sydney. The maturity of our industry and quality of our staff is exemplified by the number of Australians who have transferred to senior management roles around the world. ING

NSW Government support

The NSW Government identified financial services as a growth industry in the early 1990s. Since then Sydney has risen from Australia's financial centre to a significant Asia Pacific nexus and a competitive global financial centre.

The NSW Government has facilitated this growth by attracting new global institutions to Sydney and by working with those already here to expand, particularly functions involving highly skilled, high value jobs.

Companies including JP Morgan, Merrill Lynch, Reuters, State Street Australia, Deutsche Bank, UBS and HSBC have all worked with the Department of State and Regional Development to relocate offices or expand existing Sydney facilities. Support has included help in identifying locations, feasibility planning, information on available employee skills, and links to service providers in telecommunications and regulatory agencies.

Innovative financial services and products in NSW also contribute to greater competitiveness in other industries, such as construction and retail, in both domestic and international business.

Overseas ventures by NSW companies using locally generated financial transactions call global attention to the quality of the State's financial services. Marketing this capability is part of the NSW Government's role in positioning the State for continued growth in this sector.

NSW has a well educated workforce with qualified people available across a range of skill levels. Under Australia's national system of educational qualifications, there are specialised courses from beginner to advanced levels designed to meet the needs of the financial services industry. Through the Department of Education and Training the NSW Government assists companies in accessing education and training for their employees.

The NSW Government also supports the sector through prudent fiscal management of the State's economy. Progressive reductions in business charges and the removal of stamp duty on equity trading have contributed to the growth environment.

Finance in Sydney: at a glance

A cross-section of financial services companies and products

	Corporate Advisory	Financing	Project Finance	Infrastructure Finance	Structured Finance	Syndicated Finance	Corporate Loans	Corporate Lending	Capital Markets	Treasury	Foreign Exchange	Derivatives	Funds Management	Retail
ABN AMRO Australia	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Alliance Bernstein												•		
AMP												•	•	
Arab Bank Australia		•					•		•	•	•			•
ANZ Bank	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Bank of America	•	•		•	•	•	•	•	•	•	•			
Bank of China		•	•	•	•	•	•	•	•	•	•			•
Bank of Tokyo-Mitsubishi UFJ		•	•	•	•	•			•	•	•			
Barclays Capital	•	•	•	•	•	•	•	•	•	•	•			
BNP Paribas		•	•	•	•	•	•	•	•	•	•	•		
Citi	•	•	•	•	•	•	•	•	•	•	•			•
Commonwealth Bank of Australia	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Calyon Australia		•	•	•	•	•	•	•	•	•	•			
Credit Suisse		•	•	•	•	•	•	•	•	•	•	•		
Deutsche Bank AG	•	•	•	•	•	•	•	•	•	•	•	•		
Fidelity Investments Australia												•		
Goldman Sachs JBWere	•	•	•	•	•	•	•	•	•	•	•	•	•	•
HBOS Australia		•	•	•	•	•	•	•	•	•	•	•	•	•
HSBC Bank Australia		•	•	•	•	•	•	•	•	•	•			•
ING		•		•		•	•		•			•	•	
Investec	•	•	•	•	•	•	•		•	•		•		
JPMorgan Chase Bank	•	•	•	•	•	•	•	•	•	•	•	•		
Laiki Bank (Australia)		•	•				•		•	•	•			•
Macquarie Group	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Merrill Lynch Australasia	•	•			•	•		•	•	•				
Mizuho Corporate Bank		•	•	•	•	•	•		•	•	•			
Morgan Stanley Australia	•	•		•				•		•	•	•		
Rothschild Australia Limited	•							•						
National Australia Bank	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Nomura Australia					•			•						
Rabobank Australia	•	•	•		•	•	•	•	•	•	•	•		
Royal Bank of Scotland	•	•	•	•	•	•	•	•	•		•			
Royal Bank of Canada	•	•	•	•		•	•	•	•	•	•			
St George Bank		•	•		•	•	•	•	•	•	•	•		•
Société Générale		•	•		•	•	•	•	•	•	•	•		
State Bank of India		•			•	•	•		•	•	•			
State Street					•				•	•	•	•		
SMBC	•	•	•	•	•	•	•		•	•	•			
UBS Australia	•	•	•	•	•	•		•	•	•	•	•	•	•
WestLB AG		•	•	•	•	•	•	•	•	•	•			
Westpac Institutional Bank		•	•	•	•	•	•	•	•	•	•	•	•	•

Source: DSRD, representative group of financial services institutions with a major presence in Sydney

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