

New Zealand – Financial Centre

It happened almost by accident and it has not yet been realized! Yes, New Zealand is placed in a superb position to become a major financial centre on the doorstep of Asia. Look at what it has going for it.

The New Zealand banking legislation is well written, well accepted and very stable in the way that it is applied. As long ago as 2003 the Reserve Bank Governor of the New Zealand Reserve Bank stated in an address to the Banking Ombudsmen the position of Bank Licensing as embodied in the Reserve Bank Act. "We do not license the business of banking per se. Financial institutions do not have to be registered banks in order to take deposits and make loans. A financial institution can conduct the business of banking without being subject to the Reserve Bank's prudential requirements for registered banks, so long as it does not use the word "bank" in its name."

This attitude is a key item for Finance Companies, Savings & Loan and most importantly Merchant Banks and Private Banks who want to enter into banking business to service growing markets, particularly in Asia. Without the need to introduce very substantial amounts for Capital, without the administrative costs of compliance with such things as Capital Adequacy Ratios and other time consuming surveillance measures, the cost of actually doing banking business is drastically reduced in New Zealand.

New Zealand recently became the first country in the world to commence a Free Trade Agreement with China. Other Free Trade Agreements are in place with more in the pipeline. The New Zealand economy could not survive without trade. Trade must be serviced by banking services.

Research in the UK, as published in a recent edition of Emirates, notes major global hubs from which trade will physically be centred upon. At the second tier level, Auckland in New Zealand is tipped to become one of these nodes in the global network of the future that is already taking shape. This level of global trade must be serviced by relatively unfettered banking services.

A key element of global banking business will always be taxation. The current corporate tax rate in New Zealand (and that which would currently apply to New Zealand based banking services) is 30% on profits. This rate, in the authors view, should be reduced to just 15% for banks that concentrate on servicing international banking business rather than domestic banking for the New Zealand public. The existing rate of 2% for the Approved Issuer Levy that applies to interest paid (instead of tax) on approved investments is a measure introduced years ago by a government that perceived the strategic value for attracting investment money with low tax in a stable jurisdiction.

Also on the subject of taxation, New Zealand already has in place a network of 34 double tax agreements in force with its main trading and investment partners

aimed at reducing tax impediments to cross-border trade and investment and assisting with tax administration. Most of the world's largest countries are included in the number of 34.

There is a history of stable justice and a lack of government interference in the banking affairs of business in New Zealand. This is something very desirable for business leaders in many Asian countries, whom I am sure, would welcome their global business banking needs being provided from New Zealand.

The conclusion then is that New Zealand has whether by accident, or design, produced an almost ideal climate in which to transact banking business servicing global trade, with booming Asia on its doorstep.

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