



Commercial Banking Services 2021

Key findings

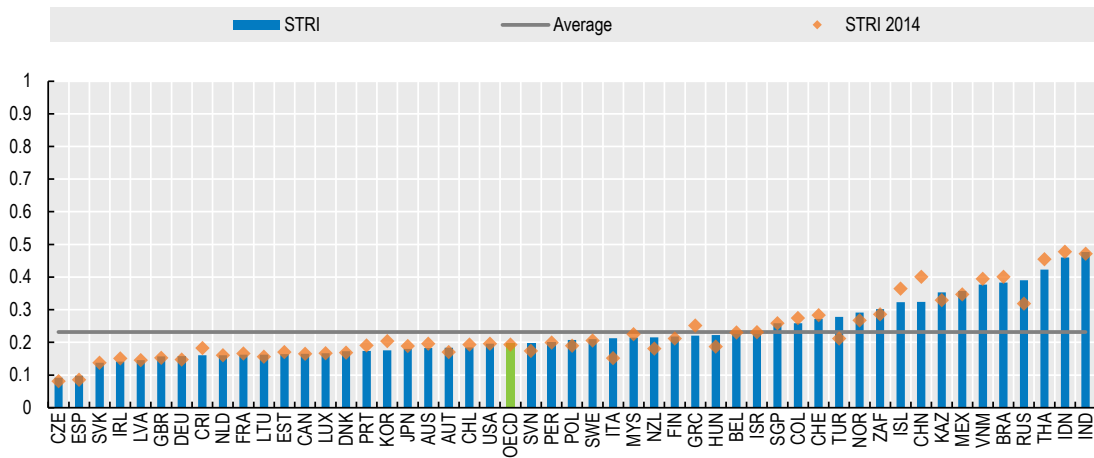
- The average 2021 STRI in the commercial banking sector is 0.23 out of a maximum of 1 (most trade restricted) indicating a relatively low overall level of restrictiveness. However, individual country scores diverge considerably, ranging between 0.09 and 0.49.
- The best performing countries in the sector are the Czech Republic, Spain and the Slovak Republic. Most regulatory changes in 2021 were recorded in Iceland, Costa Rica and Brazil.
- Restrictions on foreign entry are the main drivers of trade restrictiveness in the sector, with contributions to the total index values of 47% in OECD economies and 56% in non-OECD economies.
- OECD estimates suggest that halving the distance to best practice in this sector is associated with a reduction in the costs of cross-border trade in commercial banking services between 16% and 32% for the average country included in the STRI database.

Commercial banking is defined as comprising deposit-taking, lending and payment services (ISIC Rev 4, code 64). Major exporters of financial services (insurance excluded) are the United States, the United Kingdom and Luxembourg. Commercial banking services are traded business to business, as well as business to consumer for retail banking. Efficient banking services are one of the backbones of dynamic economies; they provide financing for investment and trade across productive activities, underlying all value chains. It should be noted that banking is a heavily regulated sector for the purpose of maintaining the stability and soundness of the financial system. Prudential rules and standards are set by national governments and regulators as well as international financial standard-setting bodies. The STRI does not seek to define the scope or nature of what measures would be considered prudential, but aims to record in an objective and comparable manner the state of legal and regulatory impediments faced by foreign banks.

The 2021 STRIs in the commercial banking sector range between 0.09 and 0.48, with a sample average of 0.23 (Figure 1). There are 34 countries below and 16 countries above the average. The best performing countries in the sector are the Czech Republic, Spain and the Slovak Republic. There are no countries that are fully closed to trade in this sector.

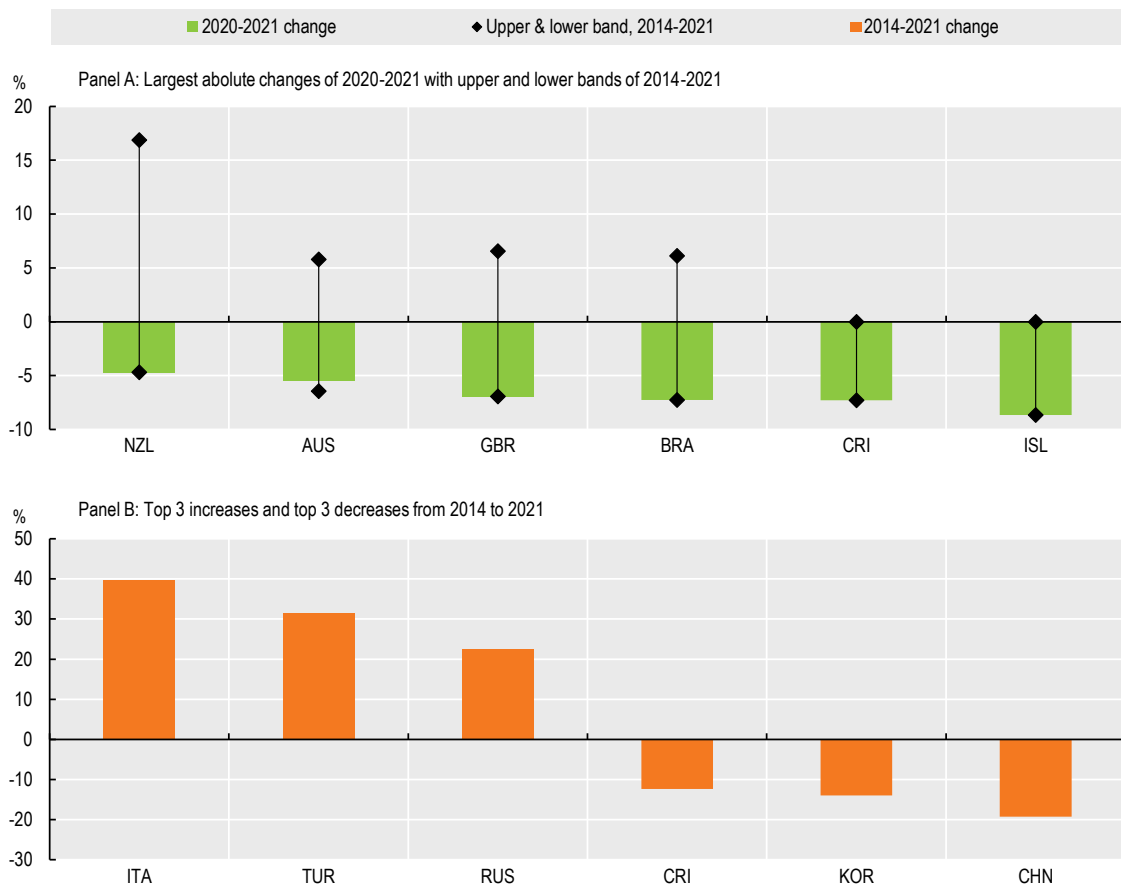
Several countries introduced regulatory changes affecting the STRIs in 2021 and more so since 2014 (Figure 2). In 2021, the STRIs in this sector saw the biggest changes in New Zealand (-5%), Australia (-5%), the United Kingdom (-7%), Brazil (-7%), Costa Rica (-7%), and Iceland (-9%). Since 2014, on the one hand, we have observed countries that have had the strongest restrictive trends such as Italy (40%), Turkey (32%) and Russian Federation (23%). On the other hand, we have strong liberalising trends in Costa Rica (-12%), Korea (-14%), and China (-19%).

Figure 1. STRI in commercial banking services, 2021



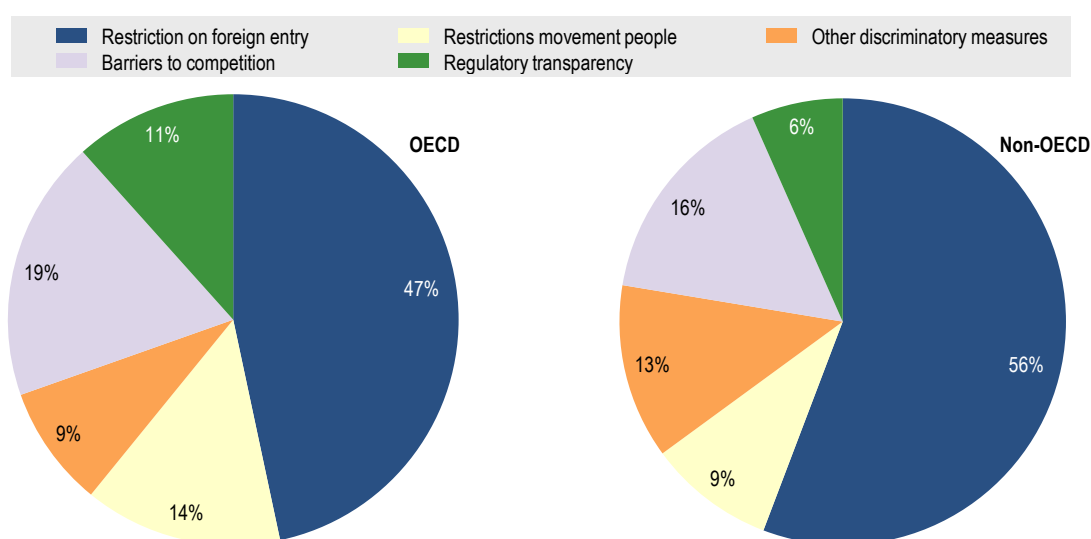
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation basis. The indices are based on laws and regulations in force on 31 October 2021. The STRI regulatory database covers the 38 OECD countries, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. Source: OECD STRI database (2021)

Figure 2. Change since 2014 and change in the last year, by country



Note: Selection criteria for Panel A was based on largest absolute changes since 2020. Panel B selection is the three largest increases, and the three largest decreases in the STRI since 2014. Source: OECD STRI database (2021).

Figure 3. STRI policy areas for commercial banking services by OECD and non-OECD economies, 2021



Source: OECD STRI database (2021).

The measures in the STRI database are organised under five policy areas (Figure 3). Restrictions on foreign entry include barriers related to establishing and operating companies such as foreign equity limits or requirements on board of directors and cross-border data flows. Restrictions on the movement of people cover barriers that affect the temporary entry of foreign services providers through quotas, labour market tests and short durations of stay. Other discriminatory measures include discrimination of foreign services suppliers as far as taxes, subsidies and public procurement are concerned. Barriers to competition include information on anti-trust policy, government ownership of major firms and the extent to which government-owned enterprises are exempt from competition laws. Regulatory transparency includes information on consultations and dissemination prior to laws and regulations entering into force. It also records information on obtaining a license or a visa. In this sector, barriers related to restriction on foreign entry are most prominent and amount to 47% in OECD economies and 56% in non-OECD economies.

Table 1 lists the most common restrictions identified in each policy area. Under restrictions on foreign entry, common impediments relate to a requirement to establish a commercial presence, cross-border data flows, acquisition and use of land and real estate, and residency requirements for board members. Restrictions to the movement of people are relatively common across the board and include mostly short permitted durations of initial stay and labour market tests. Under other discriminatory measures, barriers related to accessing public procurement markets for foreign tenderers remain the most common challenge. Restrictions on extending loans or taking deposits in foreign currency and restrictions on lending to non-residents for domestically licensed banks are relevant to a minor extent. Regarding barriers to competition, state-owned enterprises still play an important role. Also, regulation of interest rates and restrictions on advertising are present in some countries. Under barriers related to regulatory transparency, cumbersome visa procedures for business travellers are the most common challenges in this sector. Related to transparency in the licensing process, applicants must not be informed about reasons for the denial of licenses in 13 countries and there is no maximum time for decisions on applications in ten countries.

Table 1. Top 5 most relevant measures by policy area, 2021

Policy area	Measure	Countries having a restriction
Restrictions on foreign entry	Commercial presence is required: deposit-taking	46
	Cross-border data flows: cross-border transfer of personal data is possible to countries with substantially similar privacy protection laws	42
	Commercial presence is required: Payment services	40
	Commercial presence is required: Lending	40
	Acquisition and use of land and real estate by foreigners is restricted	34
Restrictions to movement of people	Limitation on duration of stay for contractual services suppliers (months)	38
	Labour market tests: intra-corporate transferees	37
	Labour market tests: contractual services suppliers	36
	Limitation on duration of stay for independent services suppliers (months)	37
	Other restrictions to movement of people	9
Other discriminatory measures	Public procurement: Procurement regulation explicitly prohibits discrimination of foreign suppliers	43
	Public procurement: Explicit preferences for local suppliers	24
	Public procurement: The procurement process affects the conditions of competition in favour of local firms	24
	Restrictions on extending loans or taking deposits in foreign currency	11
	Restrictions on lending to non-residents for domestically licensed banks	9
Barriers to competition	National, state or provincial government control at least one major firm in the sector	28
	Contractual interest rates on loans are regulated	26
	Default interest rates on loans are regulated	25
	Restrictions on advertising	10
	Decisions by the regulatory body can be appealed	2
Regulatory transparency	Range of visa processing time (days)	28
	Number of documents needed to obtain a business visa	26
	Applicants must be informed of the reasons for denial of Licences	13
	Cost to obtain a business visa (USD)	11
	There is a maximum time allowed to the regulator for decisions on applications	10

Note: Top most relevant measures are selected on the basis of the following criteria: (1) most restricted horizontal measures (i.e. same answer across sectors), (2) most restricted sector-specific measures, (3) key measures or (4) memos affecting the score of other measures through hierarchy rules.

Source: OECD STRI database (2021).

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in [Services Trade Policies and the Global Economy](#)
- » Benz, S. and A. Jaax (2020), "The costs of regulatory barriers to trade in services: New estimates of *ad valorem* tariff equivalents", *OECD Trade Policy Papers*, No. 238, OECD Publishing, Paris, <https://doi.org/10.1787/bae97f98-en>.
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org