

SUBMISSION PAPER:

# **FinTech Australia response to the Productivity Commission's draft report on competition in the financial system**

**MARCH 2018**

*This Submission Paper was prepared by FinTech Australia working with and on behalf of its Members; over 200 FinTech Startups, VCs, Accelerators and Incubators across Australia.*



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# Executive Summary

## About us

FinTech Australia is a not-for-profit industry association, which was formed in early 2016.

FinTech Australia exists to make Australia one of the world's leading markets for fintech innovation and investment. We do this by collaborating with stakeholders to create the best possible regulatory environment, and by fostering an ecosystem of supportive partners and networks so Fintech companies can thrive and grow in Australia.

We represent more than 200 fintech companies, across areas such as payments, lending, wealth and investment, real estate tech, venture capital, data management and digital identity. We estimate that we represent in the order of a quarter of Australia's fintech industry.

Our voting members include both smaller, founder-only fintechs, through to fintechs which have grown into larger companies of more than 50 employees.

## About our industry

Australia's fintech industry is undergoing rapid growth. Last year, [a report by KPMG and the Committee for Sydney](#) found that the number of fintechs had growth from 100 in 2014 to 579 in July 2017. The same report found that there were around 10,000 fintech-related jobs in Australia.

It is now likely that there are more than 700 fintech companies in Australia, with more companies setting up every day.

In June last year, the [EY Fintech Market Adoption Index](#) found that Australian consumers are also embracing fintech, with the EY global fintech adoption index ranking Australia fifth in the world for consumer adoption, with 37 per cent of the digitally active population using fintech.

Our [EY FinTech Australia Census](#) last year found that, from 2016 to 2017, Australian fintech firms increased their revenue, on average, but more than 200 per cent - albeit with a number of these firms coming up a small base.

So we are making good progress...but there is a lot more work to do.

Our Census also found that there are many barriers to growth in our industry. These barriers typically fall into one of four areas:

- Regulatory barriers - such as through unnecessary red tape or resourcing or a lack of willingness by regulators to speedily respond to innovative new ideas or offerings

- Taxation and policy - this includes issues such as capital gains and payroll taxes, along with Australian and State Government policies to deliver skilled labor to support our industry and other startup sectors
- Systemic industry barriers - such as structural opposition to collaboration with fintechs among some traditional industry players, or a lack of carrots or sticks in place to do this.
- Non-regulatory barriers - our Census identified that the main external barrier to success primarily revolves around the difficulty of fintechs to improve market awareness and acquire new customers.

In short, a 'regulation only' response from government is highly unlikely to deliver fintech success. Our response to this submission further elaborates on this.

### **Our response**

We thank the Productivity Commission for the opportunity to respond to its major report on competition in the financial system. We believe this report delivers an important evidence base to drive a major re-think of how we deliver competition in our financial services sector.

In this response, we sought to address the recommendations, findings and information requests that are of most interest to our members, rather than seeking to answer every recommendation.

Some of our key points in response are:

- Australia's fintech industry should be considered as playing an emerging but key role in the delivery of positive competition and consumer choice in Australia's financial system
- Although regulatory settings are vitally important, Australia should not rely on regulation and regulatory organisations alone to drive competition. Government grants and incentives, promotion, labour market policies and taxation are among the many other levers which will help drive competition
- The question of competition needs to be considered alongside the question as to how we are driving innovation in our financial system, with the need to hard-bake both of these aspects into our key government institutions
- A new Australian fintech industry development strategy is required, to define the regulatory and other steps which are required to grow our industry. Government and industry should work together to drive this strategy, but the development of the strategy does require specific government support.
- The 'Four Pillars' policy is redundant and should be removed, however we should ensure that there is strong government regulatory and other support for new challenger banks before the policy is removed.
- We believe consideration needs to be given to the creation of a new 'super regulator', which covers competition, stability and misconduct, alongside the delivery of innovation and industry promotion.

- The Reserve Bank of Australia should favourably consider the introduction of a formal access regime to the New Payments Platform (NPP), and other improvements should be made to the NPP so it becomes an improved platform for innovation
- This includes the NPP making changes to its shareholding processes to encourage new fintech participants, establishing an Innovation Hub, creating a data access model and delivering a credible arm's length appeal mechanism for onboarding refusals.
- Australia's fintech regulatory sandbox needs to be expanded in its scope and also contain more extensive ASIC oversight.

## Responses to relevant findings, recommendations and information requests

### DRAFT FINDING 2.1: KEY FEATURES OF WORKABLE COMPETITION IN THE FINANCIAL SYSTEM

The key features of workable competition in Australia's financial system must include:

- an open digital information capacity for consumers to assess how prices or features vary between products and choose (including switching to) preferred products
- consumers actively supported by public advice or private advisers to conveniently make informed decisions regarding aspects such as risk (including credit worthiness)
- an Open Banking regime that gives consumers perpetual access to their data that is useful to other providers, with the capacity to see it safely moved from one provider to another
- minimal limits to entry by new providers, and expansion by existing providers, into regulated product markets (subject to other regulatory objectives such as prudential outcomes)
- regulators more open-minded towards innovation and aware of the effects of their actions on weakening competition and creating consumer detriment
- effective scrutiny of the adverse use of market power by any participant or set of participants.

#### FinTech Australia comment:

Our 2017 EY FinTech Australia Census listed the most effective policy measures to help grow our industry, according to feedback from across the industry. These measures were:

- Making the research and development initiative more accessible to startups (87% support)
- Capital gains tax relief for startups first incorporated in Australia (85%)
- Government mandated open data protocols (85%)
- Reduced taxes, such as payroll taxes, when hiring employees (83%)
- More transparent access to the New Payments Platform (82%)
- An expanded and more flexible sandbox environment (78%)
- A cross-industry solution to share know your customer and identity validation information (75%)
- Easier access to skilled migration visas to hire new employees (67%).
- Grants and assistance to access government Launch Pads (64%).

In addition, the Census found that, in terms of external impediments of growth to our industry, the following were most relevant:

- Customer acquisition (50%)
- Building relationships with channels to market (45%)
- Lack of customer awareness (42%)
- Building partnerships with banks and other financial institutions (40%)

The above feedback indicates that, to drive workable competition in the Australian financial system, a broad-based approach is needed. It shows that, for instance, a startup which has an easy regulatory passage but cannot find suitable talent nor has sufficient funds to drive market awareness is going to fail. Regulation is important...but is not everything.

This approach needs to consider all the potential levers of government and industry, ranging from regulation, policy, taxation and through to specific government grants and incentives. A thought leadership approach from government when talking to industry and its own regulators is also required.

Given the above, we think the Productivity Commission's suggestions regarding key features to workable competition is a good start, particularly regarding the regulatory aspects of the financial system competition, but needs to be broadened into other areas.

In particular, we think the dot points could be expanded to also mention the need for:

- Specific government grants and incentives to help new entrants in the market, and to help promote and connect the fintech industry both in Australia and overseas
- Government policies which help deliver skilled labour to the startup industry
- Regulators setting aside sufficient resourcing for innovation and ensuring encouragement of innovation is part of their cultural mindset

We will discuss these in more detail below:

#### *Issue 1 - Government grants and incentives to help new entrants*

Our Census shows that fintechs have specific difficulty building trust, market awareness and customer growth. This is the number one barrier to success.

State Governments have a range of incentives and grants available to our industry, and other startup sectors. However, there is no tangible Australian Government program specifically for the fintech sector to overcome the difficulty of fintechs during the startup and scaleup phase.

We believe there needs to be a strong, industry-wide discussion about the potential of government incentives to help in this area.

In addition, there is no ongoing Australian Government funding to help promote and connect our industry. Funding could help with the following activities:



- Drive greater visibility of Australia’s fintech industry through sponsorship of domestic industry showcase events, and extend these to rural and regional communities in order to harness the fintech opportunity for these areas;
- Map out and further develop fintech trade opportunities for Australian businesses in the world environment;
- Create greater awareness of the excellent opportunity Australian fintech companies present to prospective investors, partners and customers through targeted presentations by Australian fintech industry ambassadors at select major global fintech events;
- Coordinate a visiting international journalists program to educate international businesses about opportunities here in Australia; and
- Prepare a suite of reports and professional communications material about the Australian fintech industry, particularly highlighting fintech-bank collaborations, consumer fintech adoption and the unique attributes of this market relative to others in the region.

We believe the above should be considered as part of a new Australian fintech industry strategy, which is discussed further below.

*Issue 2 - Government policies which help deliver skilled labour to the startup industry*

A lack of access to skilled labour remains an impediment to fintech industry growth.

The Census found that, as the fintech industry matures, and customer acquisition and growth becomes a priority, sales and marketing professionals are increasingly in high demand.

This reflects the fact that the number one barrier to growth for fintechs is a lack of market awareness. If fintechs can solve the market awareness issue through sales and marketing professionals, they are largely on the pathway to success. For this reasons, sales and marketing professionals are sometimes known as “growth hackers” in startup parlance.

The number of respondents reporting a talent pool shortage with sales professionals increased from 35% in 2016 to 41% in 2017. Meanwhile, 29% of respondents cited a talent pool shortage with marketing professionals, up from 24% in 2016.

In addition, 61% of respondents nominated a talent pool shortage in engineering and software staff (slightly down from 76% last year) and 24% of respondents reported a talent shortage in design and user experience professionals.

In a tight labour market, incumbent industry players are in a distinct advantage, because they have a greater ability to afford more expensive labour compared to startups. As such, government efforts to drive skilled labour needs to form part of a competitive financial system.

We [raised concerns](#) last year that Australian Government visa changes would have a negative impact on the ability of fintechs to hire sales and marketing professionals. We also note that the Australian Government on 19 March released a Global Talent Scheme to help established businesses and startups to access global talent. This would appear to be a step towards this initiative.

However, we think it is worthwhile for the Productivity Commission to amend its recommendation to also reflect the importance of skills to the startup industry.

*Issue 3 - Regulators setting aside sufficient resourcing for innovation and ensuring encouragement of innovation is part of their cultural mindset*

We think it is not a matter of regulators being “open-minded” to innovation, as your dot point suggests, but in fact having innovation hard-baked into their organisation’s DNA and also putting in place resourcing to help innovation. Our feedback on the regulatory sandbox later in this submission outlines the importance of innovation resourcing being part of innovation regulation.

The regulation of innovative companies, by government, can be a complex matter. Smaller startup companies largely require assistance and support. They do not have the resources to pay large consultancy or government fees. This upfront cost helps deliver a longer-term benefit for Australia through a stronger economy and more jobs.

Making innovation a simple consideration in an existing process is not the right answer. Strategic planning, cultural support and resourcing for innovation is a better solution.

*Conclusion*

Our view is that Australia needs a refreshed fintech industry development strategy, delivered in conjunction with industry, to further develop the above and other ideas.

Australia’s current strategy, [Backing Australia’s FinTech](#), was delivered in February 2016. FinTech Australia had a key role delivering many of these recommendations, which largely revolved around regulatory improvements. Many of these regulatory improvements have now been delivered and the strategy needs refreshing.

Since this time, many of our overseas competitors have developed new strategies.

For instance, in May 2017 the Hong Kong government [published its vision for the Hong Kong fintech industry](#), outlining six target fintech industry growth sectors for Hong Kong, along with actions to support each of these sectors.

Separately, as part of its major festival last November, the Singapore Government released its [financial services industry transformation strategy](#), outlining proposed industry growth areas and an aspiration to bring foreign fintech startups to Singapore. Its main financial services regulator is also an unashamed promoter, facilitator and evangelist for the industry.

On 22 March, the UK Government also unveiled its new [Fintech Sector Strategy](#). This includes new mechanisms to improve fintech-bank collaboration, drive fintech international expansion, deliver crypto-currency innovation and encourage fintech hubs in rural and regional areas.

We believe that Australia needs a new fintech strategy - to drive financial services competition - which considers regulatory and other industry development issues. This is a large undertaking, which is likely to require significant government support. FinTech Australia has provided something of an evidence base for this strategy, via the EY FinTech Australia Census, but what is needed is a new action plan.

FinTech Australia stands ready to help with the development of this strategy.

## **DRAFT FINDING 2.2: COMPETITION AND STABILITY MUST CO-EXIST**

Competition and stability are both important to the Australian financial system. In order to preserve both, a genuine debate is essential before every material regulatory intervention. The stability of Australia's financial system has increased since the global financial crisis and prudentially regulated institutions are unquestionably strong. However, competition has suffered. It is important to ensure that the essential role of competition in economic growth is not eroded further by having stability as the default regulatory position.

### **FinTech Australia comment:**

We believe the Productivity Commission recommendation on competition and stability is sound and represents an important new mindset on financial services regulation in Australia.

## DRAFT FINDING II.1: STATE OF COMPETITION IN THE FINANCIAL SYSTEM

Australia's banking sector is a strong oligopoly with a long tail of smaller providers. The general insurance sector similarly has a small number of very large providers and a long tail of smaller providers.

Prudential regulation substantially limits the scope for traditional price competition in banking and, to a degree, in insurance. The Reserve Bank of Australia setting of cash rates offers an opportunity for coordinated pricing in banking that is unique to this industry.

Competition on product features and service is less constrained, and thus more evident. But the large number of marginally different products appears more reflective of a capacity for price discrimination than of competition.

- Although at less than desirable levels, there is evidence of more competition (albeit on product features rather than price) in the markets for home loans, consumer credit cards, home insurance, wealth management and financial advice.
- There is evidence of less competition in the markets for small business credit, lenders mortgage insurance, add-on insurance and pet insurance.

### **FinTech Australia comment:**

We would also add that there appears to be a lack of competition in superannuation and friction in account switching would appear to play a part in this.

Australia has one of the largest retirement savings industries in the world, with total super assets of over \$2.3 trillion. Interestingly, this exceeds bank deposits (\$2.1 trillion). Deloitte has forecast that superannuation balances will reach \$9.5 trillion by 2035.

Despite being one of Australia's largest and fastest growing industries, it is also one the most uncompetitive.

This lack of competition has a number of causes:

- Millions of employees have their default super fund (the fund that receives your contributions if you don't nominate your preferred fund) dictated by an award rather than a competitive process. The super fund knows that it will continue to receive contributions even if its fees and service propositions remain uncompetitive;
- Members don't take an active interest in their super fund because they only receive one communication per year;

- Members perceive that it is hard to switch from their default super fund to a more suitable fund; and
- Members find it hard to compare one fund to another because it is hard to find the important information within a multitude of long and boring documents.

In one way or another, these causes all stem from a lack of competition, which hurts consumers. Each year, tens of billions of dollars are taken out of super balances and paid to fund managers and administrators.

Former Australian Treasurer Peter Costello has recently suggested having one national default fund that would achieve economies of scale. While this may bring fees down in the short-term, it does not solve the underlying problem.

Only enhanced competition will encourage innovation, adoption of new technologies, fee reductions and better customer experiences. The key for improved competition is making it easier to compare super funds and switch between them.

Super funds hold a lot of data about their members: balances, tax components of those balances, fees, contribution history, asset allocation and age.

Fintech businesses (such as Plenty Wealth) have already taken large strides towards using this type of information to provide instantaneous advice on switching to a more suitable super fund, and then making the process both fast and painless. This information can also be used to optimise contributions, investments and superannuation tax strategies. The problem is that collecting this data remains a barrier to many consumers using such services.

Open superannuation data would overcome this problem. With open data, digital advice businesses and competing super funds would have complete access to all the information required to assist consumers in doing more with their super. Consumers could then set the wheels in motion with a few mouse clicks.

We should also keep in mind that super doesn't exist in isolation. Most members have life insurance benefits intertwined with super. If they switch funds then they will lose their insurance and may not be able to get it back.

Therefore, to get the best results from opening up super fund data, we will need open life insurance data as well. Open superannuation and insurance data will create more competition, reduce fees, enhance innovation and deliver better customer experiences.

The current inefficiencies of the superannuation system will continue until we make it easy for consumers to easily access their data and share it with organisations that can use that data for the benefit of those consumers.

## **DRAFT FINDING 3.1 THE MAJOR BANKS' OLIGOPOLY POWER**

Australia's four major banks hold substantial market power, as a result of their size, strong brands and broad geographical reach. This is further supported by regulatory settings, which contribute to the major banks' structural advantages.

As a result, the major banks have the ability to pass on cost increases and set prices that maintain high levels of profitability — without losing market share.

The smaller banks and non-bank financial institutions follow the pricing trend set by the major banks, where they can. Size and scope, combined with regulatory advantages for the major banks, mean that competition from smaller institutions is not likely to prove sufficiently disruptive to offer consumers a market that is strongly competitive on prices.

### **FinTech Australia comment:**

We agree that Australia's four major banks do hold a dominant position in the Australian financial services landscape, and this is an inhibitor to competition and broader fintech industry growth. We also agree with the report's broader assessment that the fintech industry is playing an emerging role providing competition to the banks.

As discussed in our response to the first recommendation, we believe a broad new fintech industry development strategy is required to assist the fintech industry to deliver adequate competition to this bank dominance.

## DRAFT RECOMMENDATION 4.1: REDUCING REGULATORY BARRIERS TO ENTRY AND EXPANSION

The Australian Prudential Regulation Authority (APRA) and the Australian Government should prioritise reforms that reduce regulatory barriers to entry and expansion in banking.

- APRA should finalise and implement its phased approach for licensing authorised deposit-taking institutions (ADIs) and revise its policies and guidelines for removing restrictions on the use of the term ‘bank’.
- The Australian Government should determine revised ownership rules (including a higher threshold on ownership) under the Financial Sector (Shareholdings) Act 1998 (Cth) to improve access to capital for both new entrants and existing banks. For existing ADIs, share ownership limits should be reviewed, without the presumption of the Four Pillars policy. These reforms and determinations should be completed no later than end 2018.

### Initial draft FinTech Australia position:

FinTech Australia has supported APRA’s proposed challenger bank reforms, in our [submission lodged last year](#). We look forward to the phased approach to licensing coming into place. We are aware of significant interest from the fintech community in this reform.

As part of our submission, we have however recommended a number of improvements to the reforms to make them more workable, namely:

- Increasing the deposit limit to \$5 million, given that new challenger banks are likely to easily breach the proposed \$2 million limit particularly if they are targeting business customers
- Allowing challenger banks to operate with a restricted licence for three rather than two years, given they are unlikely to be able to raise the required \$5-7 million in capital to operate if the two-year limit remains in place
- Setting up an innovation hub within APRA to solicit and facilitate applications
- Providing an improved definition of what is considered an eligible “low risk” activity during the restricted licensing period
- Consider creating two pathways for challenger banks – one for new startup companies and another for existing and mature “low risk” financial services
- Considering splitting the proposed \$80,000 entrant fee across the three-year testing period.



## DRAFT FINDING 4.4 FINTECH COLLABORATION AND COMPETITION

Many fintechs are attempting to work with and provide services to incumbent banks, rather than compete against them. Incumbent banks are also looking to collaborate with fintechs as a way to innovate and lower the threat of future competitors.

While this is a legitimate and sensible commercial strategy for many, it means that these fintechs are unlikely to provide the basis for vigorous competition against incumbent banks in the near future.

In the long term, lowering barriers to entry and expansion, including greater access to consumer data, may lead fintechs to favour competition against incumbents, over collaboration.

### **FinTech Australia comment:**

We broadly agree with the proposition that lowering barriers to entry and expansion, including greater access to consumer data, will assist fintechs to favour competition rather than collaboration.

However, as outlined below, there are other government policy positions which can also favour fintech, apart from the measures listed in the Productivity Commission draft finding.

Firstly, on the issue of collaboration, our 2017 [EY FinTech Australia Census](#) found that fintechs are still having trouble collaborating with banks and financial institutions. 41% cited this as an external impediment to their business in 2016, this figure has stayed stable at 40% in 2017.

The 2017 Census also found that only 17% of fintechs agreed that Australia's incumbent banks, super funds and insurance companies are engaging well with the fintech industry in Australia. These results show that even if fintechs want to collaborate with banks, they are not necessarily being successful in doing this.

Among the fintech community, fintechs have a range of different personalities when it comes to the question of collaboration versus competition. Some fintechs are keen to collaborate, others prefer to directly compete. Both are potential pathways to success.

Our view is that a policy and ecosystem environment which supports both collaboration and competition is one that is most ideal.

## INFORMATION REQUEST 4.1: SHOULD ASIC'S REGULATORY SANDBOX BE EXTENDED?

Should the fintech licensing exemption offered under the Australian Securities and Investments Commission's (ASIC's) regulatory sandbox be extended to prudentially regulated fintechs that want to take retail deposits and issue other eligible financial products? If extended, would:

- an extension encourage new fintechs to become banks or providers of financial products
- any additional consumer protections be necessary to prevent poor conduct and retain consumer confidence?

### FinTech Australia comment

FinTech Australia would support an exploration of an extension of the regulatory sandbox to also cover retail deposits and other retail financial products.

FinTech Australia's view, like that of the Productivity Commission, is that the current sandbox structure is not suited to driving innovation.

The [2017 EY Fintech Census](#) identified that 78 per cent of fintechs believe an expanded and more flexible regulatory sandbox environment is required.

As originally introduced by ASIC in December 2016, the sandbox included a class waiver to allow eligible fintech businesses the near-automatic right to test a limited number of services for up to 12 months without an Australian financial services or credit licence.

Given the near-automatic approval process, and the lack of ASIC oversight of fintechs while in the sandbox, our view is that ASIC felt obliged to place reasonably strict limits on the types of fintechs and products which could enter the sandbox. This in turn has led to relatively low usage of the class waiver - just five fintechs since December 2016.

We note that the Australian Government has released a [proposed bill and regulation](#) to expand the scope of the sandbox. The bill is currently before the Australian Parliament, and the regulation is being considered within the Australian Treasury.

The bill allows the Australian Treasurer to make regulations to deliver an expanded sandbox environment. This differs from the current approach, where the ASIC delivers the sandbox through its own processes. It also includes a number of measures to allow ASIC to act more quickly to provide consumer safeguards. We support the bill.

However, we think there needs to be changes to the regulation which has been exhibited to support the bill, along with the broad approach by ASIC to managing the sandbox.

This includes:

- Ensuring only genuinely innovative new businesses can enter the sandbox, through an appropriate ASIC filtering process
- Improved oversight and monitoring of fintechs while in the sandbox by ASIC, to allow these fintechs to receive the benefit of ASIC one-on-one guidance and support
- Changes to the relevant investment and other limits applicable to a number of the products proposed under the bill's supporting regulations, to make these limits more workable.

The above represents a fundamental re-think of sandbox regulation and management.

We note that ASIC [has opposed](#) elements of the government's own bill and regulation, partly on the basis of the statement it does not have the "capacity or capability" to manage "unlicensed entities". This brings an overall resourcing issue into question.

It's our view that the Productivity Commission's recommendation to further expand the sandbox into new areas is sound, but is likely to require a new approach to resourcing and regulation as outlined in this submission to ensure:

- The provisions are used by genuine innovative fintech startups
- Fintechs are given necessary support while in the sandbox
- Consumers are protected

For further clarification on our stance here, please read this [newsroom post](#).

## **DRAFT RECOMMENDATION 10.1: REVIEW REGULATION OF PURCHASED PAYMENT FACILITIES**

The Australian Prudential Regulation Authority should, either itself or outsourced elsewhere, design a tiered prudential regime for Purchased Payment Facilities to reduce barriers to growth.

- Purchased Payment Facilities with total stored value below \$50 million and individual holdings of no more than \$500 would not face prudential regulation.
- The lower prudential tier would maintain the current 100% liquidity ratio requirement but reduce other prudential requirements to lower compliance costs.
- The higher prudential tier would reduce liquidity requirements but strengthen other prudential requirements.

These reforms should be implemented no later than mid 2019.

### **FinTech Australia comment:**

We support the Productivity Commission's recommendations to encourage new entrants in this important area, through the new tiered prudential regime.

We believe that the Purchased Payment Facility provides a new way to introduce competition within the payments ecosystem.

We recommend that the individual holding limit be raised to \$1,000. This would align with the current exemptions that exist with Regulatory Guide 185: Non-cash payment (NCP) facilities.

Specifically, the low value NCP facilities can carry amounts of monetary value up to \$1000 for the holder's benefit, which demonstrated the individual threshold limit that can allow for lighter regulations. We do feel that the \$50m limit is appropriate

## DRAFT RECOMMENDATION 10.2: MAKING THE EPAYMENTS CODE MANDATORY

The Australian Securities and Investments Commission should amend the ePayments Code to make subscription to the code mandatory for any entity that intends to send or receive electronic payments.

### FinTech Australia comment

The [ePayments Code](#) was released by ASIC in 2011, following a review of the previous Electronic Funds Transfer Code of Conduct which was initially written in 1998.

Since the release of the code, the payments world has changed dramatically. There are now many fintech firms servicing the payments area. A [report released by KPMG and the Committee for Sydney](#) last year in fact identified that payments and digital currency providers comprised Australia's largest fintech sub-sector (made up of 138 companies). The report also identified that payments was an area where Australia had the potential to lead the world in fintech - and in doing so creating significant export and domestic job opportunities.

The ePayments Code is a consumer protection measure. Many - but not all - banks, credit unions and building societies currently subscribe to the code along with a number of non-banking subscribers.

We acknowledge the unsatisfactory situation with the ePayments Code. The code is both out-of-date and voluntary.

There is a government policy position from 2015 to make the code mandatory. But this has not been enacted.

Separately, the code is most unclear as to its viewpoint on 'screen scraping', where customers hand over their passcode to allow innovative fintechs to use this data to provide better services and products. The practice of 'screen scraping' - and resultant data access - has underpinned much of the fintech phenomenon in Australia in recent years.

In our submission to the Australian Treasury open banking review last year, FinTech Australia called for the ePayments Code to be [made mandatory](#) to legitimise 'screen scraping'. We have also published an [industry explainer](#) on 'screen scraping'.

Since this time (and since your report) the Farrell open banking review has been published. The Farrell review didn't specific touch on the ePayments Code, but did say that the aim should be to make 'screen scraping' redundant over time through the use of new application programming

interface (API) technology. We recommend a cautious approach here, to ensure support for 'screen scraping' while the new API framework is introduced.

More specifically on the ePayments Code, our policy position is that it should only be made mandatory across all payments providers if it was re-architected to ensure it met the needs of today's variety of large and small institutions, and if it also embraced 'screen scraping' (which it currently does not do).

This is because our view is that the Code is a largely outdated code designed for banks and a pre-fintech age, and it would be very difficult for fintechs to comply with elements of it. In short, we urge you to amend your recommendation to refer to the need for a robust consultation process, including with Australia's fintech community, as part of moves to make the ePayments Code compulsory.

## INFORMATION REQUEST 10.1: HOW SHOULD LIABILITY FOR UNAUTHORISED TRANSACTIONS BE SHARED?

What would be the costs and benefits of different ways that liability for unauthorised transactions under the ePayments Code may be shared between financial institutions and third parties, including participation in financial dispute resolution schemes? This includes the feasibility of having Code subscribers provide unique access details to third parties approved by customers.

We are also interested in stakeholder views about whether the new Open Banking policy (once implemented) could be relied upon as a better alternative for secure, shared access.

### **FinTech Australia comment:**

Our submission to the [open banking review](#) advocated on behalf of changing the code to:

- Make it clear that customers are not liable for monetary losses, where they supply their passcode to a company accredited by ASIC, and
- Working closely with stakeholders to develop agreed passcode security and complaints handling standards, which is expected to legitimise existing industry safeguards and inform the ASIC accreditation approach.

We also note the issue of liability is evolving and is currently being considered by the government's open banking review.

## **DRAFT RECOMMENDATION 10.3: BAN CARD INTERCHANGE FEES**

The Payments System Board should introduce a ban on card payment interchange fees by mid 2019. Any remaining fees should be directly related to the costs of operating the system. Such fees should be made transparent and published.

### **FinTech Australia comment:**

Interchange fee caps have recently gone into effect (from 1 July, 2017).

And while there were immediate impacts to customers in the form of lowering of rewards/ airline points we are still waiting to see whether the reduced fees are translating to lower merchants acquiring costs and benefiting the business that accept credit card payments.

As the credit card and alternative payment landscape develops interchange fees can become a valuable source of revenue for companies looking to offer consumers payment flexibility by sharing costs between consumers and merchants.

Our recommendation would be to firstly understand the effects of the current rate caps, and then consult with industry specifically on this issue.

Importantly, any changes should only affect the current open loop schemes (Visa/ Mastercard) and allow for innovation / new commercial models with alternative payments.



## DRAFT RECOMMENDATION 10.5: ACCESS REGIME FOR THE NEW PAYMENTS PLATFORM

The New Payments Platform (NPP) is a significant piece of national infrastructure that can benefit competition in retail banking and payments. But more transparency is needed to facilitate third party access. The NPP should be subject to an access regime imposed by the Payments System Board.

As part of an access regime, the Payments System Board should:

- review the fees set by participant entities of the NPP and transaction fees set by New Payments Platform Australia
- require all transacting participant entities that use an overlay service to share de identified transaction level data with the overlay service provider
- consult the Australian Competition and Consumer Commission on the final design of the data sharing obligations.

### FinTech Australia comment:

#### *Introduction*

A burgeoning Australian fintech industry has developed around payments.

A [report released by KPMG and the Committee for Sydney](#) last year in fact identified that payments and digital currency providers comprised Australia's largest fintech sub-sector (made up of 138 companies). This compares to the next highest category lending, which has 80 companies.

The report also identified that payments was an area where Australia had the potential to lead the world in fintech - and in doing so creating significant export and domestic job opportunities.

This potential opportunity has been reinforced by a [recent Data 61 report](#), which outlines the major opportunity for our fintech firms in the payments space in the nearby ASEAN region. This report notes that the Asia Pacific accounted for nearly three quarters of the world's payment transactions in 2012. It also notes that large numbers of 'unbanked' people across the ASEAN region (Indonesia alone has 5.6 per cent of the world's unbanked population).

The New Payments Platform (NPP), if correctly configured, has the potential to be an enabler of this growth and opportunity, by being the epicentre of an innovative payments in this country. Indeed KPMG/Committee for Sydney report mentioned above identified the NPP as potentially playing this role for the Australian payments fintech industry.

Equally so, a NPP which doesn't encourage fintech innovation and growth, or even works against it, has the potential to be a setback for this important area of our industry.

### *Summary of our views on the issue of access*

FinTech Australia has been carefully monitoring the introduction of the NPP since February. This includes through receiving feedback from our members, meeting with the NPP Australia (NPPA) and organising events between NPPA and our members, to share information and perspectives.

It is reasonable to say that, in general, the fintech community understand the potential of, but are not fully convinced about, the innovation opportunity presented by the NPP. To some extent, the NPP also represents a major new competitor to a number of our members.

We acknowledge the current efforts of the NPP administration to reach out to the fintech community, and the statements by this administration that it is in the NPP's commercial interests to get more fintech connections to, and usage of, the platform through these efforts. We also acknowledge that it is early days in the NPP's operation and that it is possible there are fintechs currently in deep and fruitful but confidential discussions with the NPP.

However, some of our early views are that the NPP and the Reserve Bank of Australia need to:

1. Do better to explain, in some detail, the many different potential fintech onboarding points to the NPP. We are currently working with the NPP to develop material suitable for time-poor fintechs.
2. Establish a specific and well-resourced Innovation Hub, which actively facilitates interest from fintechs, processes applications in a speedy manner and seeks to drive business connections across the NPP network. This Hub could be potentially be located inside, or outside of, the NPP administration.
3. Work with the fintech community and the government's open banking review to create a detailed data access model as part of the government's open banking framework, including identifying how fintechs can access either identified or de-identified payments data. This is likely to include applying the Consumer Right to Data to consumer data payments information and also creating a harmonised data interface framework.
4. Put in place measures to reduce upfront shareholding costs for smaller fintech firms who want to be participants, and allow non-ADIs to be participants if they meet set criteria
5. Implement credible and arm's length dispute resolution mechanisms for decisions made about fintechs onboarding to the platform, particularly relating to NPPA decisions on participation and overlay services.

Our view is that, in addition, the Reserve Bank of Australia should look favourably on a formal access regime to the NPP, although to be fair to the NPP we are not aware of any specific incidents of fintechs being unfairly restricted in their access to the infrastructure.

It may be that some of the issues covered in the dot points above could form part of this access regime or be included as supportive informal non-regulatory measures.

We think such a regime though would, at the very least, help remove perceptions among some in the fintech community that the NPP is controlled by the big banks and that a level playing field was now in place. FinTech Australia would of course be very keen to be involved in the design of such an access regime.

We will now mention some of the issues which have helped inform our views above.

*Point 1 - Improved clarity in regard to fintech connection points*

The NPP is an extraordinarily complex machine.

Already, the NPPA has created a complicated new language in an attempt to explain the different players and processes in the NPP ecosystem. What's more, as a complex machine, the NPP also requires a detailed set of operating instructions.

The problem is that fintechs have not been given a dictionary to explain the new language, while there are no fintech-friendly operating instructions in place. This makes the NPP well beyond the reach of Australia's fintech community, which is dominated by small companies having an average of just five employees.<sup>1</sup>

The draft Productivity Commission report, for instance, refers to the following terms, all of which have relevance to a fintech wanting to connect to the NPP:

- Direct participant
- Indirect participant
- Identified participant
- Connected institution
- Overlay service provider

In addition, FinTech Australia has been presented with other terms, including some which are also listed in the regulations:

- Sponsoring participant
- Clearing participant
- Settlement participant
- Identified institution

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<sup>1</sup> See sector profile of fintechs in EY FinTech Australia Census at <https://fintechauscensus.ey.com/2017/Australian-fintech-landscape/Sector-profile>

- Basic infrastructure
- User

What is missing here is a useful and easy-to-comprehend guide for fintechs, which explains these different terms and includes a complementary set of operating instructions to assist fintechs to integrate and connect with the NPP. This guide could include:

- General overview
- Ways to connect
- Definition and benefit of each way to connect
- Commercial implication of each way to connect (costs)
- Typical user persona for each way to connect
- Example use case using each persona

To emphasise our point, the NPPA has confirmed that about one in three queries it has received are from organisations interested in becoming overlay service providers. However, most of these organisations do not need to be an overlay service provider in order to achieve what it is that they are looking to achieve, but rather they just want to be able to use the platform.

There is a need for both a detailed guide for fintechs, along with supporting summary material, including easy-to-understand linear flowcharts and infographics.

#### *Point 2 - Need for an Innovation Hub*

We believe that an Innovation Hub would be useful infrastructure to actively promote the NPP to fintechs, and facilitate and process applications, along with make referrals across the NPP network. This hub would have to be adequately resourced and promoted.

#### *Point 3 - Unlocking data innovation*

The NPP is a potential new data goldmine, with it having the capability to have up to 280 characters of information and supporting documents travelling alongside payments. In addition, the PayID innovation now links people's accounts with their phone numbers.

At a discussion we held between our members and the NPP on 6 March, the highest level of interest relating from our members relating to accessing and value-adding NPP data flows. It would appear that there is much interest for the potential for payments companies in particular to better service the needs of businesses, in areas such as lending, invoice management and accounting solutions, through accessing NPP data. This is in line with current trends towards our payments companies spreading into other areas of business servicing.

Yet, at this time, there is no clarity about how the data opportunity from the NPP can be unlocked and what's more how this relates to the government's separate open banking reforms. This includes any form of appreciation as to whether consumers and business have a right to their own NPP data under the open banking framework.

Separately, we would also like to raise the issues of a standard framework for data interfaces related to the NPP.

Given that it processes payments in real-time, fintechs are typically required to use application programming interfaces (APIs) as seamless secure data gateways - established by participants - to connect with the NPP. However, at this time there is no standardisation in the technical requirements for APIs.

This means that one NPP participant may have one type of API, and another NPP participant may have another type. This is not conducive to allowing ease of fintech connectivity and onboarding to the NPP.

The NPPA has told us in private correspondence that it is looking at establishing an open, standard and published API framework, which is owned and managed by the NPPA. We have been told that "the framework would define the key technical approach and mandatory data attributes that each API should have for NPP use (ie: would be a foundation layer that should not be altered, but which could be built upon by others)." It states that this is a work in progress

While the NPPA move is welcome, no timeframe has been set for the creation of this API framework.

It would appear likely that the API framework will only be available later in 2018, once banks the banks have already cemented their incumbency in the Australian payments environment through using the NPP without having to pay any wholesale pricing transaction fees. This is not a fintech-friendly outcome.

In addition, a separate API framework is proposed to be developed under the Australian Government's proposed open banking framework, which was released in February 2018. It would make sense for the API framework to be developed for the NPP, and the API framework to be developed for the open banking framework, to be complementary. This may allow a single user-entry point for fintechs to access customer account and payments data.

We ask the Productivity Commission to recommend that a standard API framework be developed for the NPP, in conjunction with the work being undertaken for open banking.

*Point 4 - Improving participant access for fintechs*

Another plank of support for an access regime relates to participant access to the service.

Under the NPP regulations, to become a new participant (and as such clear and settle payments via the NPP) you need to be a shareholder in the NPP. We have some issues with the approach to NPP participation.

Under the initial arrangements for the NPP, participants have been classified in three different classes – large, medium and small – and have paid initial shareholding subscriptions accordingly. Our understanding is that only the big four banks are large shareholders, and therefore automatically have a seat at the board table.

However, if new fintech entrants wished to come in as shareholding participants, it may be that their projected volumes would be quite small.

We don't know the amount that the NPPA wants to charge for new shareholdings, as parties interested in becoming shareholders are required to sign non-disclosure agreements. But we think there is a strong case to review the initial subscription/participant policy and tailor it more closely to expected payment flows. We ask for the Productivity Commission to recommend this.

Separately, we think the requirement, under the regulations, for participants to be authorised deposit-taking institutions (ADIs) before they become participants, is unfairly anti-competitive and is a rule largely developed in the pre-fintech age.

We believe an alternative set of evidence-based criteria which meets the needs of the NPPA and Reserve Bank of Australia can be developed, which allows the removal of the prohibition on non-ADIs being participants. We note that, up until 2004, only ADIs to issue credit cards, but the rules were changed after this time because of concerns that these rules were anti-competitive and a new class of specialist credit card institutions were created.

We also acknowledge statements from the NPPA that it is working with the Australian Prudential Regulation Authority to provide a pathway for the proposed new Restricted ADI licence (that is challenger banks) to become participants. However, we believe there should also be a participation mechanism for non-ADIs.

#### *Point 5 - Appeal mechanisms*

We are concerned that there does not appear to be a credible approach to independent, arm's length appeals, for decisions to refuse access by fintechs, particularly applications for overlay services and participation. This is an issue you raised in your report.

The approach, at present, appears to be that the NPPA board has delegated decision-making power in this area to the NPPA CEO. If there is a grievance with the CEO's decision, the aggrieved party can apparently appeal the decision to a board sub-committee.

For a piece of infrastructure which has been given an ACCC approval, and includes a member of the RBA on its board, we don't think this is a credible approach and should be reviewed - with the aim to introduce non-board independent parties into the appeal process.

*RBA should look favourably on a formal access regime*

As mentioned above, we think the RBA should look favourably on an access regime to the NPP, subject to making its own inquiries on the matter.

An argument in favour of an access regime relates to overlay services.

Overlay services are an important element in the NPP structure. Overlay services are described by the NPP in its official fact sheet as "a tailored, value adding payment service or payment-related service owned and operated by a third party, which can be deployed on the basic infrastructure to deliver value to a specific group of subscribers and end users."

New Payments Platform Australia (NPPA) has presented the overlay service framework as a major opportunity for fintechs to add innovative ideas to, benefit from, the NPP platform.

According to a presentation given to FinTech Australia in September 2017, if a fintech wanted to create an overlay service, this fintech would need to "negotiate commercial arrangements" with participants, and these participants would need to "subscribe to the service to offer to end customers".

What's more, the participants themselves would "determine price levels for end customers" even though it would be the overlay provider that would "own the customer facing brand".

We have also been told in separate communication from the NPPA that "the commercial model and pricing for an overlay service...is subject to bi-lateral commercial negotiations with the NPP participants who choose to subscribe to that overlay service. NPPA is not involved in these discussions".

The issues with this approach are that:

- Participants may choose not to subscribe to the overlay service as it may be in direct competition to a participant's proprietary offering (conflict of interest and anti-competitive).

- Participants may price-discriminate and price out the overlay service because they ultimately set the end price to the user (who will access the overlay service via the participant)
- Bilateral commercial arrangements with each participant in itself is a barrier - fintechs have problems negotiating on an equal footing with a single participant, let alone all 12 participants.

The NPPA argues against any form of regulation in regard to overlay services - stating that a negotiation between a fintech and a bank about an overlay service on the NPP is no different to a discussion to a general discussion between a bank and fintech on any other potential partnership. We however, think consideration needs to be given to the fact that the NPP has largely come about through a government mandate, has been given an ACCC approval and is semi-regulated through the presence of the RBA on the board.

To date, just one overlay service - Osko - has been introduced. The fact there is just one overlay service suggests that the framework in place needs to be improved to encourage a greater take-up of overlay services.



## **DRAFT FINDING 10.1: THE NEW PAYMENTS PLATFORM COULD DO MORE TO EASE CUSTOMER SWITCHING**

The New Payments Platform's addressing service, PayID, has the potential to improve competition by making it easier for customers to switch financial institutions or products. However, at launch, PayID will have very limited functionality.

New Payments Platform Australia Limited and its participating financial institutions have the capacity to improve the capability of PayID to give customers the ability to both send and receive recurring bank transfers, direct debits and card payments.

Changing bank accounts with many direct debits, or credit cards with recurring charges, would then require only a single update, removing one of the apparent reasons why there is limited switching of accounts.

### **FinTech Australia comment:**

FinTech Australia has been a long-standing supporter of removing friction to improve customer switching and believes that the Productivity Commission analysis should form the basis of improvements by the NPP.

## DRAFT RECOMMENDATION 13.1: DATA ACCESS TO ENABLE SWITCHING

The Open Banking system proposed for Australia should be implemented in a manner that enables the full suite of rights for consumers to access and use digital data (as set out in the Productivity Commission’s inquiry report, Data Availability and Use).

### **FinTech Australia comment:**

We broadly agree with this proposition, given the obvious benefits for fintech firms in allowing consumers to access and re-use their existing data.

However, we would also point out that in [our submission to the Australian Treasury open banking review](#) we stated: “We also agree that this comprehensive right for consumers should equally apply to fintech companies and data aggregators, as well as Banks (i.e. all Authorised Deposit-taking institutions with consumer or SME-facing applications in Australia) and other FSIs that are important for the delivery of sound, holistic financial advice. In keeping with FinTech Australia’s broader fintech policy objective of creating a balanced regime that does not prove onerous for smaller organisations in their establishment phase, we propose a broad compliance threshold for organisations with a turnover of less than \$3m, the same threshold specified by the Australian Privacy Principles in the Privacy Act.”

“However, the exception for this is any organisation that wishes to itself be able to request and obtain customer-permissioned data from another institution, as outlined in the accreditation section below. This would include all data aggregators, and the majority of fintech companies”

We would also state that this submission stated that FinTech Australia’s members are strongly of the view that superannuation, investment and insurance firms should also be included as early as possible within the roll-out of the open banking regime - particularly as these firms are critical holders of data that relates to allowing consumers to have an accurate understanding of their financial health, and ways in which to improve it.

## **DRAFT FINDING 15.1: APRA NOT WELL PLACED TO CONSIDER COMPETITION IN THE FINANCIAL SYSTEM**

The Australian Prudential Regulation Authority (APRA) is not well placed to balance the cost to competitive behaviour in its regulatory actions. The preponderance in its remit favours system stability, even at a significant cost to competition.

The Commission does not propose to alter APRA's ability to consider competition in making its risk assessments and actions, but it is evident that a debate on the question of whether the public interest is served by restricting competition could be better authorised. The Council of Financial Regulators is a valuable forum for a rigorous and informed competition debate. In the absence of such a debate and of a party specifically authorised to take on responsibility for representing competition, consideration of competitive effects inevitably will continue to be subordinate to stability.

### **FinTech Australia comment**

We address the regulatory structure in regard to competition and stability later in this submission.

## **DRAFT FINDING 16.2: THE FOUR PILLARS POLICY IS REDUNDANT**

The Four Pillars policy is a redundant convention. There are sufficient provisions within the Competition and Consumer Act 2010 (Cth), the Banking Act 1959 (Cth) and the Financial Sector (Shareholdings) Act 1998 (Cth) that give the government or the designated regulator power to intervene to ensure competition, prudential outcomes and the broader public interest are protected. It is also not clear that the Four Pillars policy has met its stated objective of preserving competition, or whether instead it has eroded competition by embedding a fixed market structure.

### **Draft FinTech Australia comment:**

We agree that the Four Pillars policy sends a perceived message to the broader investment and consumer marketplace that the four banks are largely immune from change or acquisition, and that they are protected by the government.

It is embedding the dominance of major banks and in doing so potentially contributing to the misconduct issues identified in the Royal Commission, along with other poor consumer outcomes.

We think that the most important thing, at this time, is for the Australian Government and its regulators to encourage a new environment in which challenger banks can flourish, to provide new competition to the existing four major banks. We are currently waiting for the outcome of the Australian Prudential Regulation Authority's deliberations on this issue.

Once this is in place, the Four Pillars policy can be removed, given that there are likely to be sufficient alternative banks in place to take advantage of an acquisition between the major banks.

We would potentially recommend a long lead time for any removal of the policy, to allow fintech innovators to flourish and gain market awareness, in the lead-up to the cessation of the policy.

## **DRAFT RECOMMENDATION 17.1: NEW COMPETITION FUNCTIONS FOR A REGULATOR**

To address gaps in the regulatory architecture related to lack of effective consideration of competitive outcomes in financial markets, an existing regulator must be given a mandate to take the lead on matters related to competition in the financial system.

To minimise cost and disruption, this role should be implemented in substantial part through the Council of Financial Regulators (CFR).

There would be no change under this recommendation to the current legislated responsibilities of the regulators. Rather, the Australian Government should include in its Statement of Expectations for all members of the CFR the practice of reviewing, before they are implemented, regulator actions that may have material effects on competition.

The competition-related functions of the designated Council member would include:

- transparent analysis of competition impacts tabled in advance of measures proposed by regulators
- testing of the impacts of competition and community outcomes of additional provider integration.

### **FinTech Australia comment:**

We make a substantive comment in response to 17.1 in regard to the preferred regulatory framework to deal with competition issues.

Our general view, however, is that competition needs to be far more than a simple consideration, at the time important decisions are made. Competition also needs to be part of the forward-looking strategic outlook of the relevant agency.

## **DRAFT RECOMMENDATION 17.2: TRANSPARENCY OF REGULATORY DECISION MAKING**

The Council of Financial Regulators (CFR) should implement a process of review before its members put in place regulatory interventions that may have a material impact on competition in a product market. There must be a member of the CFR designated to take up the role of assessing planned interventions, to establish possible consequences for competition in financial markets.

The assessment of competition impacts should be discussed at the CFR meeting, and the regulator planning the intervention should consider amending its policies to reduce the effects on competition. Competition analyses, as well as the minutes of the CFR meetings, should be made public in a timely manner.

### **FinTech Australia:**

We agree with this.

## **INFORMATION REQUEST 17.1: WHICH REGULATOR SHOULD ADVANCE COMPETITION IN THE FINANCIAL SYSTEM?**

The Commission has presented two possible options for a regulator to advance competition in Australian financial system and ensure robust consideration of competition in the regulatory decision making processes of the Council of Financial Regulators:

Option 1: that ACCC be afforded new proactive functions to supplement its current reactive role in the financial system

Option 2: that ASIC's existing financial system focus be expanded beyond participant conduct and consumer outcomes to include the advancement of competition.

We welcome feedback on the merits of each option or alternative possibilities.

### **FinTech Australia**

We think the Productivity Commission has effectively bottled an effective but inconvenient truth of the current Australian financial system landscape - there is no lead regulator for competition in Australia and, in general, competition is not adequately part of the DNA of all regulators.

We thank the Productivity Commission for bringing this to light.

There are many issues to be considered, however, before putting in place a recommendation to simply anoint either the ACCC or ASIC as the lead regulator on competition.

Firstly, the issue of competition needs to be considered alongside innovation. It is possible to have a financial services environment which is highly competitive - with many different products and services on offer at a good price point - but not particularly innovative. Innovation will help provide a platform for a resilient financial services industry, and to help drive exports.

Secondly, the broader regulatory environment needs to be considered. The current Financial Services Royal Commission appears to be uncovering clear evidence that systemic misconduct is also not being adequately regulated. This misconduct would appear, in part, to flow from a lack of competition. As such, a competition regulator may also need to have its

pulse on systemic misconduct, which brings into place a further question on the most appropriate regulator and whether it is a good idea to separate competition from misconduct.

Thirdly, the role of a regulator in also promoting and connecting innovative companies and established financial institutions should also not be under-estimated.

The [Monetary Authority of Singapore](#) plays this role. It is a 'one-stop-shop' regulator of the financial system, but also delivers a fintech strategy, a fintech sandbox and the nation's annual fintech festival (which is the largest in the world). It also invests heavily in promoting the nation's fintech promotion.

In short, it is both an evangelist and regulator of its fintech industry. This unique approach has delivered Singapore a significant reputational advantage in the highly competitive world market for fintech investment.

In Australia, our system for financial services regulation and promotion is highly fragmented and generally chronically under-resourced.

ASIC does have its own Innovation Hub, but this Hub has limited resourcing and does not undertake any promotion or connection of the industry. Austrade, despite being Australia's trade promotion agency, appears to have extremely limited resources to promote and connect our industry.

In addition, it is our view that there could be greater co-ordination between our various regulators and Austrade to drive best-practice Australian fintech industry results.

We are also very keen to avoid, if possible, regulatory arrangements which encourage friction between different regulators, or a lack of clarity in regards to roles and responsibilities. Our concern is that if the lead role on competition is given to one regulator, then another regulator will regard this as a secondary consideration for its work.

Our early thinking is that there needs to be a significant re-think of the Australian financial systems regulatory framework, which takes into account the evidence of the Royal Commission alongside the insights from this inquiry.

A new 'super regulator' - which considers and balances stability, misconduct and competition but also works to drive innovation and promotion - may be the most effective framework.