



THE SENATE

SENATE SELECT COMMITTEE ON AUSTRALIA AS A TECHNOLOGY AND FINANCIAL CENTRE

Issues Paper

The committee tabled its second interim report on 28 April 2021 which made 23 recommendations to government.

On 18 March 2021 the Senate agreed to change the name of the committee, extend the committee until 30 October 2021 and refer additional matters to the committee through the following revised terms of reference:

- a. the size and scope of the opportunity for Australian consumers and business from Australia growing into a stronger technology and finance centre;
- b. the flow-on employment and economic benefits which accrue to finance and technology centres;
- c. barriers to the uptake of new technologies in the financial sector;
- d. new opportunities for Australia as a technology and finance centre arising from the COVID-19 pandemic;
- e. benchmarking of comparable global regimes with Australia;
- f. the impact of corporate law restraining new investment in Australia;
- g. the policy environment facing neo-banks;
- h. opportunities and risks in the digital asset and cryptocurrency sector; and
- i. any related matters.

The work of the committee to date has shown that Australia is well placed for growth in the financial and technology sectors and to attract investment and create jobs. In the last phase of its inquiry, the committee will focus on removing more barriers to Australian growth as a technology and finance centre. In particular it will focus on:

- the regulation of cryptocurrencies and digital assets;
- issues relating to ‘debanking’ of Australian FinTechs;
- the policy environment for neobanks in Australia;
- instances of corporate law holding back investment; and
- options to replace the Offshore Banking Unit.

Cryptocurrency and digital assets

In the second phase of its inquiry the committee received a great deal of evidence on cryptocurrency and digital assets, and made several initial recommendations.

The committee is interested in the economic opportunities posed by blockchain technology and digital asset technology in particular. Thus far, the committee has heard blockchain has applications across sectors and industries. The committee will be looking at policies for enhancing these opportunities to promote Australian investment and jobs.

In particular, the committee will be assessing options for the development of a comprehensive regulatory framework for cryptocurrency and digital assets. Existing regulatory schemes, especially those in comparable jurisdictions, will be examined.

For example, the Committee is interested in getting a better understanding of the relative sophistication of the policy and legal landscape in Australia compared to similar jurisdictions. The committee is particularly interested in the approaches taken by policymakers in Canada, Singapore, the United Kingdom and the European Union.

We want to know what type of policy provision and legal certainty is needed to drive private investment into Australian digital assets rather than the investment occurring offshore.

Debanking

Debanking has been raised as a significant obstacle to the further domestic development of the FinTech sector. The committee will be evaluating the policy framework and the role played by regulators in debanking. The committee is interested in gaining a fuller understanding of debanking issues, including causes and significance.

Neobanking

Recent developments in the neobank sector, including the closure of Xinja Bank and NAB's purchase of 86,400, has prompted the committee to investigate the policy environment facing neobanks to ensure competition in the banking sector is enhanced.

Instances of corporate law holding back investment

Throughout its inquiry to date, the committee has considered and made recommendations on several aspects of corporate law in Australia aimed at improving efficiency and encouraging investment in Australian companies. The committee welcomes feedback on any further areas of corporate law that currently restrain new investment in Australia, and how these can best be addressed.

Options to replace the Offshore Banking Unit

The committee notes the government announcement on 12 March 2021 that it would introduce legislation to reform the Offshore Banking Unit (OBU) to respond to concerns raised by the OECD's Forum on Harmful Tax Practices. The committee welcomes evidence on options to replace the OBU that would maintain and enhance Australia's global position.

Specifically, the Committee will be seeking views on the viability of an Incremental Business Activity Rate (IBAR) as set out in the Low Report as an alternative to the OBU.¹

Australia as a technology and financial centre

The committee is interested in how Australia can market its strengths to position itself globally as a technology and finance centre.

The committee welcomes evidence on the competitiveness of Australia's existing tax and regulatory regimes, especially as applied to inbound international investment, imports, and immigration. The committee will be particularly focused on policies for attracting and retaining business activity from global markets for technology and finance in addition to those announced in the 2021-22 Budget. The committee is also interested in how the benefits from attracting international business can be realised across Australia, including in regional areas.

The committee welcomes submissions addressing these areas by **30 June 2021**.

Submissions can be emailed to: fintech.sen@aph.gov.au

Contact information

If you have any queries in relation to the issues paper or the committee's inquiry process, please contact the secretariat:

Email: fintech.sen@aph.gov.au

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¹ Australia as a Financial & Technology Centre Advisory Group (AFTCAG) Report, *Making Australia an Internationally Competitive Financial Centre & Attracting Asia-Pacific Business Headquarters to Australia*, January 2021, pp. 55-58.