

9 March 2020

Lyn Beverley
 Committee Secretary
 Select Committee on Financial Technology and Regulatory Technology
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 Parliament House
 Canberra ACT 2600
 Email: fintech.sen@aph.gov.au

Dear Lyn

Select Committee on Financial Technology and Regulatory Technology Hearing 19 February 2020: Corrections

During our appearance before the Committee Hearings on 19 February 2020, we made a reference to a number of matters which we would like to clarify with the following further information:

Statement	Correction / Clarifying Information
<p>“What they started doing was when the Bank of England, the equivalent of APRA, went out and started fining RBS, for example-they fined RBS \$120 million for a breach of compliance for some system.”</p>	<p>Correction: The UK government created the, 'the Alternative Remedies Package' designed to foster competition and ensure that the Royal Bank of Scotland (which was bailed out by the UK government during the GFC) didn't gain an unfair advantage from its state aid rescue. The alternative remedies package is designed to improve competition in the UK business banking market, addressing the market distortions resulting from the provision of state support to RBS, and to resolve RBS' state aid commitments. A £425 million fund was created for capability and innovation, and a £275 million fund was created to incentivise bank switching. See: https://www.gov.uk/government/publications/rbs-state-aid-alternative-remedies-package for more information.</p>
<p>“They took \$110 million of that and gave it to the three largest neobanks to fund job creation, to fund new product systems.”</p>	<p>Correction: £100m of the capability and innovation fund was granted to Starling Bank, a new neobank, “to facilitate the development of more advanced business current account offerings and ancillary products for SMEs in the UK.”</p>
<p>“tax exemptions for the first I think million dollars”</p>	<p>Further information: The tax exemption in Singapore is for the first \$200,000 (75% exemption for the first \$100,000, 50% exemption for the next \$100,000). For more info see: https://www.iras.gov.sg/irashome/Businesses/Companies/Earning-the-basics-of-Corporate-Income-Tax/Common-Tax-Reliefs-That-Help-Reduce-The-Tax-Bills/</p>

Statement	Correction / Clarifying Information
<p>"... in the UK they were able to raise more than 25 million through crowdfunding, even though their assets were at about the 60 mark. But we no longer have the opportunity to crowdfund, so those Australians who invested in us early now miss out on being able to continue to invest."</p>	<p>In Australia Crowdfunding is not available to companies with consolidated gross assets and revenue of \$25 million or more. By comparison, in December 2018 neobank Monzo was able to raise £20M via crowdfunding when it had reported net assets of over £56M.</p> <p>Our prudential obligations as a licenced bank require us to hold sufficient assets and capital against our deposit base, even though those deposits won't be revenue generating until Xinja lends. These capital requirements don't exist for non ADIs, and if the \$25m net assets and revenue test was a net asset and revenue test, Xinja would be able to offer retail shareholders the same investment opportunities currently only open to sophisticated investors in the current Series D fundraising round.</p>

We thank the Senate Committee for the opportunity to appear before the Committee and to provide these corrections.

Regards,

Van Le
Co-Founder

Eric Wilson
Founder & CEO

Submitted via email to fintech.sen@aph.gov.au