

Ross McEwan
Group CEO

Level 3, 700 Bourke Street
Docklands, VIC 3008
Australia



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Senator Andrew Bragg
Chair
Senate Select Committee on Australia as a Technology & Financial Centre
PO Box 6100
Parliament House
Canberra
ACT 2600

By email to: fintech.sen@aph.gov.au

Dear Senator Bragg

Thank you for your invitation to make a submission to the new phase of this Inquiry. The submission will make comment on issues canvassed in your letter and the Inquiry's Third Issues Paper.

NAB is a leading funder of non-bank lenders, buy-now-pay-later (BNPL) fintechs and other fast-growing fintechs. NAB's Corporate and Institutional Banking division has a dedicated team seeking to expand our customer base in this segment.

It is important to note that fintechs are not a homogenous group – there is a wide variety of fintechs in Australia offering services including payments, lending, data and insights and personal financial management support. KPMG's 2020 Fintech Landscape found that there were 733 active FinTechs, up from 629 in 2019.¹ Within this cohort, there is a wide range of capabilities, sophistication and level of commercial and operational maturity.

86 400 investment

As noted in the Third Issues Paper, NAB recently acquired neobank 86 400 which became part of the NAB Group in May 2021. 86 400 offers customers a market-leading digital and technological capability. 86 400 will combine with NAB's existing digital bank, UBank, to create a leading digital bank supported by NAB's capital and balance sheet strength. NAB's investment in 86 400 demonstrates one of the options that a neobank can pursue is a partnership with a larger authorised deposit-taking institution (ADI) which can offer a source of significant investment. In this case, it also offered a pathway to exit and return on investment for the founders and investors.

While a part of the NAB Group, the newly combined 86 400 and UBank will operate with a level of autonomy so it can continue to foster innovation and capitalise on its technological capabilities.

¹ See <https://home.kpmg/au/en/home/insights/2017/08/australian-fintech-landscape.html>



NAB Ventures

NAB contributes significantly to success of fintechs through our venture capital arm, NAB Ventures, in addition to traditional financing options. Launched in 2016, NAB Ventures provides equity investments to support entrepreneurs in Australia and offshore to build leading technology companies. The investment process is streamlined, to match the speed of the high-growth ventures in the fintech sector, with investment possible in as little as four weeks.

NAB Ventures has a track record of funding innovative financial products and services from their early stages. Fintechs that have been backed by NAB Ventures include Athena, a rapidly growing online home loan provider; Medipass, a market leader in digital health insurance claiming; and Veem, a global payments platform enabling small businesses to expand globally and receive foreign currency payments.

These investments can directly benefit customers, such as NAB's partnership with Sply which received funding from NAB Ventures in 2019. Following a purchase from a participating retailer, Sply immediately delivers a digital receipt to a customer's NAB app, creating a safe, convenient and paperless record of the transaction.

NAB Ventures meets with over 1,000 start-up businesses per year, meaning that equity investment into all of these businesses is not always possible. NAB though supports many of these businesses by connecting them with experienced bankers to explore alternative financing opportunities and commercial partnerships.

Debanking

NAB notes the Committee raising concerns on behalf of fintechs in the Inquiry's Third Issues Paper about the practice of debanking. This is when a bank chooses to no longer offer banking services to a customer. There is a wide range of reasons why this decision may be made and each customer is considered on a case-by-case basis. For NAB, these reasons can include:

- **Commercial consideration** – The cost and resources of NAB to support and oversee a customer may be greater than the commercial benefit of doing so. For example, the monitoring and oversight of a fintech's underlying activity may be cost prohibitive meaning that the risk of the fintech may be greater than any possible commercial benefit.
- **Security and resilience** – NAB may hold concerns about the level of security and resilience of a fintech's technology system or business process. For example, an incidence of material fraud.
- **Financial Crime** – NAB may hold concerns around an entity's management of Anti-Money Laundering or Counter Terrorism Financing (AML/CTF) requirements or their capability to meet these requirements. This could include a lack of evidence about how the entity will meet their requirements, or an entity may not have sufficient processes to monitor who their customers are.



- **Product misuse** – NAB has experienced instances of some fintechs using certain banking products for purposes which they are not intended. A product may be designed and offered according to certain commercial, risk or regulatory parameters. NAB may stop offering that product to a customer if it is not being used in-line with its intended design or use.

Decisions to exit the banking relationship with a fintech are informed by NAB's risk appetite to provide business transaction banking services to fintechs. Our appetite settings are regularly reviewed. For privacy reasons, NAB is not able to discuss the details of individual customers that NAB has chosen to no longer provide banking services.

Where a decision is taken to no longer provide banking services to a fintech, this will be communicated to the customer in writing. In some specific areas such as financial crime, we are not always able to be specific about the reason for de-banking due to legislative requirements. The entity will be provided with time to provide alternative banking arrangements in most cases. If an entity requests more time to find alternative banking services, then this request will be considered on a case-by-case basis.

NAB hopes this submission is helpful and wishes you and the Committee all the best with your Inquiry.

Yours sincerely

Ross McEwan