



6 March 2020

Senate Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

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

Re: Fintech Inquiry – Questions on Notice

We refer to ASX's appearance at the recent public hearings for the Senate Select Committee on Financial Technology and Regulatory Technology held in Sydney on 20 February, 2020.

ASX took on notice two questions and we provide our responses below.

R&D Tax Incentive – Deputy Chair, Senator Marielle Smith

ASX responds to these R&D tax incentive questions from the perspective of our knowledge of fintech businesses and the challenges they face, rather than from ASX's position as an occasional beneficiary under the R&D tax incentive program.

Does the ASX have any ideas on how the Federal Government should look at reforming the incentive?

Fintech businesses generally succeed by challenging existing business practices and finding a better way to do things. In finance, this often means re-engineering an existing process to make it more efficient, more transparent, cheaper or faster. Often a fintech will develop software to deliver an innovative idea. The current R&D tax incentive is only available for "experimental activities ... whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience ... that is based on principle of established science; and proceeds from hypothesis to experiment"¹. This approach to assessing eligibility is not well suited to fintech innovation, which is often focused on a new approach to an existing process. Although fintech innovation has the potential to drive significant benefit for the Australian economy, the R&D incentive is designed with more of a scientific emphasis. The hypothesis to experiment to result approach limits fintech's ability to assess whether activities are eligible. Applying for the incentive can be costly and time consuming, and any audit would result in a substantial drain on the resources of a small growing company.

Does the ASX have a view on the clawbacks to the R&D tax incentives which the Government has recently implemented?

ASX does not have strong view on the recent Government proposals regarding changes to the R&D incentive. We consider that the more fundamental issue of eligibility considered above is a stronger driver of the benefits that the R&D incentive can provide to fintechs.

¹ <https://www.ato.gov.au/business/research-and-development-tax-incentive/eligibility/eligible-activities/>

Crypto-Currencies – Chair, Senator Andrew Bragg

A comprehensive summary of ASX's views on crypto-currency activity can be found in ASX's *Listed@ASX Compliance Update* dated 1 August 2019, available online at:

https://www.asx.com.au/resources/newsletters/listed_at_asx/listed-at-asx-20190801_0619.html

This update contains quotes from some overseas regulatory authorities (including the UK Financial Conduct Authority and the US Commodity Futures Trading Commission) estimating that up to 80% of ICOs (initial coin offerings) could be scams or fraudulent.

ASX has worked, and will continue to work, closely with ASIC to ensure the Australian financial system is well protected.

Peter Hiom
Deputy CEO