

3rd February 2020

Committee Secretariat
Department of Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Members,

RE: Senate Select Committee on Financial Technology & Regulatory

Thank you for the opportunity to give evidence to the Senate Select Committee on Financial Technology and Regulatory Technology in Melbourne Thursday 30 January 2020.

Further to our evidence, we wanted to bring to the Committees attention an announcement by the Commonwealth Bank of Australia (CBA) released to the Australian Stock Exchange (ASX) Thursday 30 January titled "Klarna launched in Australia with CBA" (included below as annexure A).

Klarna is self-described as 'one of world's largest and most innovative buy now pay later online shopping services' and is entering the Australian market through a 50:50 joint venture with CBA.

Klarna is a direct competitor to relatively new entrants to the market like Zip & Afterpay, and through their joint venture with CBA will offer customers similar features to RAIZ's *Found Money* product with in-app shopping.

Where, however, Klarna has a significant competitive advantage is due to their relationship with CBA. Klarna will not have to get CBA customer consent to use CBA data and also will become automatically accredited under the CDR.

This further illustrates the existing anti-competitive financial services regulation and subsequent leg up the banks receive under the current CDR. If the Committee is serious about increasing the opportunity for Australian FinTech and RegTech businesses, then levelling the playing field between the big banks and new FinTech businesses like ours would be a good first step.

We would welcome the opportunity to discuss this with you further and will be in touch with your respective offices to arrange follow up meetings.

Yours Sincerely,

Brendan Malone
Chief Operating Officer



ANNEXURE A



ASX announcement

Klarna launches in Australia with CBA

Thursday, 30 January 2020 (SYDNEY): Commonwealth Bank customers will be able to benefit immediately from using one of the world's largest and most innovative buy now pay later online shopping services following today's official launch of Klarna Australia.

By accessing Klarna through the country's market-leading banking app, CBA customers can quickly register and begin shopping at any online store. Purchased items will show up in the CommBank app and customers will also be able to take advantage of price drop and out of stock notifications directly from Klarna. Klarna will also be available to non-CBA consumers.

Klarna is one of the world's biggest digital payments providers with more than 85 million customers using the service to purchase goods and services from 200,000 merchants. In Australia, CBA is the market leader in digital payments with more than 7 million digitally active customers and 5.6 million customers that use the CommBank app every day.

CBA Chief Executive Officer Matt Comyn said: "Our partnership with Klarna will further enhance the customer experience in our leading banking app and address the rapidly growing demand among consumers for new payment options. In particular, it allows us to build on our leading technology to deliver the very best payment services for our customers and merchants in Australia, on platforms which are safe, secure, and easy to use.

"By partnering with Klarna, we are bringing together our market leading digital technology, merchant relationships and strong customer network with Klarna's innovative payments technology and integrated shopping experience for the benefit of CBA customers and many more Australian consumers."

After an initial investment of US\$100 million, CBA has invested a further US\$200 million in Klarna Group at the same valuation, to increase strategic alignment, bring additional rights, and gain exposure to Klarna's international growth. The US\$300 million total investment brings CBA's shareholding in Klarna Group to 5.5% from its initial 1.8% stake.

CBA and Klarna will jointly fund and have 50:50 ownership rights to Klarna's Australian and New Zealand business. CBA also retains a right to partner with Klarna in Indonesia.

Sebastian Siemiatkowski, CEO of Klarna Group, said: "This is an exciting day for Klarna, CBA and Australia as a whole. We have already developed a strong working relationship with CBA and we look forward to providing even more opportunities together for our customers in the coming months and years."

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The release of this announcement was authorised by the Continuous Disclosure Committee.

1 Commonwealth Bank of Australia | Media Release 014/2020 | ACN 123 123 124
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