



THE SENATE
SENATE SELECT COMMITTEE ON FINANCIAL TECHNOLOGY AND
REGULATORY TECHNOLOGY

Public Hearing – 1 July 2020
Questions on Notice – Treasury

1 HANSARD, p. 38

Senator MARIELLE SMITH: ... I want to go to questions relating to JobKeeper first. When this crisis was unfolding and the government was looking at its JobKeeper package and how that would look, one of the pieces of feedback I received from quite a number of startups was that the eligibility requirements in the first iteration of JobKeeper around demonstrating revenue loss weren't really appropriate for startups and fintechs because of the very nature of their businesses. We were given assurances at the time that fintechs and regtechs at the pre-revenue stage would be assessed favourably by the taxation commissioner. I wonder if you had any data around the uptake of JobKeeper from this sector and how that consideration worked in practice?

Ms Hogan: I'm sorry, I don't have those statistics with me at the moment but I'm happy to take that on notice and provide that to the committee.

Senator MARIELLE SMITH: If you could take it on notice. Do you have anecdotal evidence in that respect you can share with me?

Ms Hogan: No, I'm sorry, I don't think I do.

Senator MARIELLE SMITH: Okay.

Treasury Response:

As ATO JobKeeper data does not specifically identify businesses as being in the financial technology or regulatory technology industries, we cannot provide data regarding the uptake of JobKeeper in these industries.

2 HANSARD, p. 38-39

Senator MARIELLE SMITH: Okay. The coronavirus SME guarantee scheme, I am not sure who I should be directing that question to?

Mr Tease: I will answer that question.

Senator MARIELLE SMITH: Could you provide an update on the participation of fintechs and non-bank lenders in that scheme?

Mr Tease: Since the scheme was launched, we've had 41 financial entities approved. Nine of those are non-ADIs, so companies that aren't authorised deposit-taking institutes and some would probably classify themselves as fintechs.

Senator MARIELLE SMITH: Do you have a breakdown of the total value of loans supported by those subsectors under the scheme?

Mr Tease: We do. In total, the scheme has supported \$1.4 billion in loans. The bulk of that has come from the major banks, as you would expect. The number from the non-ADIs is around 500,000, but I will confirm that for you and give you a more accurate number later.

Senator MARIELLE SMITH: If you could take that on notice. Obviously, what I'm trying to understand is the degree to which fintechs and the groups we're looking at specifically in this inquiry were able to access that scheme. If you could find a way of presenting that data to shed light on that issue, it would be helpful for our work.

Mr Tease: Sure.

Treasury Response:

10 fintech lenders are participating under the SME Guarantee scheme. The lenders include:

- Speedy Finance
- On Deck Capital Australia Pty Limited
- Moula Money Pty Ltd
- Lumi Finance
- Banjo Loans
- Tyro Payments Limited
- Spotcap Australia Pty Ltd
- Judo Bank Pty Ltd
- Prospa Advance Pty Ltd
- Get Capital Pty Limited

As of 19th June, 7 fintech lenders had made 632 loans to the value of \$29,410,416.

As of 19th June, 3 fintech lenders participating under the scheme are yet to report data.

3 HANSARD, p. 39

Senator MARIELLE SMITH: We've been hearing quite a significant amount of evidence over the past couple of days around the temporary changes to the Corporations Act to facilitate, in particular, AGMs and arrangements with digital options. The evidence we've received suggests that mostly these have been quite widely welcomed by the people who have submitted to our committee. One of the reasons for that is they thought it allowed for a greater degree of participation, particularly from shareholders, in company processes. One of the concerns I have is that when you open these sorts of arrangements up, and particularly when we talk about the use of technology to enable participation, whilst that can be effective for large parts of our community—I consider myself as part of that—for some members of our community who don't have the same level of digital access or literacy, it can be more difficult to participate. So I was interested if you had had any anecdotal feedback on the impact of those changes, not just where the sector has welcomed it but where you

think any particular weaknesses or concerns may be if those arrangements were extended going forward?

Mr Tease: I will check with my colleagues in Canberra. You might have chosen a part of the submission where the team with us didn't contribute. But, Daniel, did your colleagues work on this part of the response?

Mr McAuliffe: Some colleagues in the division have, but I personally am unable to answer that question.

Senator MARIELLE SMITH: I feel like I started by congratulating you on the breadth of representatives from Treasury but none seem to be the ones I need to answer my questions. This is an area I'm particularly interested in. So if, again, you could take that on notice and provide any updates perhaps, I'm particularly interested in any concerns Treasury may have around extending those provisions and what that could mean for access and participation.

Treasury Response:

Stakeholder feedback on the temporary relief to allow virtual meetings, including Annual General Meetings, has primarily been positive.

In an Australian Institute of Company Directors member survey published in June 2020, 47 per cent of AICD members participating in the survey indicated support for virtual AGMs to be a permanent feature of the *Corporations Act 2001*.

Other stakeholders have called for the temporary relief that has allowed companies to hold virtual AGMs to be made permanent, including the Governance Institute, Australasian Investor Relations Association and major share registries.

We understand that some stakeholders do not support fully virtual meetings and would prefer a combination of physical and online facilities be provided. The Australian Shareholders Association has publicly expressed this view, citing concerns that shareholders are not given the ability to actively participate in shareholder meetings.

We note the safeguard that the temporary relief requires all persons entitled to attend a meeting have a reasonable opportunity to participate without being physically present in the same place. This includes the ability to ask questions and vote on resolutions. The temporary relief provides an option to companies to hold fully virtual meetings. Each company will make its own decision on how it conducts its meetings to meet the needs and interests of its shareholders, including using a combination of physical and online facilities.

4 HANSARD, p. 41

Senator MARIELLE SMITH: I will give it a go. I was hoping you can provide some details on the uptake from fintechs and regtechs to the boosting cash flow and instant asset write-off measures announced by the government. You referenced that in your submission.

Mr Tease: I will have to check with Philippa.

Ms Brown: Sorry, I don't cover those policy areas, so I am afraid we will have to take that one on notice also.

Senator MARIELLE SMITH: You can add that to my booklet of questions on notice.

Treasury Response:

The Boosting Cash Flow for Employers measure is estimated to support around 720,000 entities, including not-for-profits, with aggregated annual turnover of less than \$50 million. Eligible entities will receive tax-free cash flow boosts of between \$20,000 and \$100,000, based on the pay-as-you go withholding from eligible payments, for the March to September 2020 reporting periods. Eligible entities receive their payments automatically upon lodging relevant activity statements with the Australian Taxation Office.

Around 3.5 million businesses with aggregated annual turnover of less than \$500 million are estimated to be eligible to access the \$150,000 instant asset write-off. Eligible entities can claim an immediate deduction for eligible assets each costing less than \$150,000 first used or installed ready for use from 12 March 2020 until 31 December 2020. Deductions will be claimed in 2019-20 and 2020-21 tax returns.

FinTechs and RegTechs that meet the eligibility requirements can receive support under both measures.