

Here are the definitions of FinTech and RegTech provided by the Senate Select Committee on Financial Technology and Regulatory Technology:

FinTech, or financial technology, refers to the technology or businesses that enable, enhance, and disrupt traditional financial services. FinTech companies offer products and services in areas including: money transfers and payments; savings and investment; borrowing; and personal finance management. FinTech solutions are typically innovative and responsive to changing customer needs.

RegTech is the use of new technology in regulatory monitoring, reporting, and compliance. RegTech companies typically provide software-as-a-service (SaaS) to help businesses comply with regulations efficiently and cost effectively. RegTech is sector agnostic and its technology solutions can be applied in any industry with regulatory and compliance requirements. Significant RegTech market segments have been identified as: profiling and due diligence; reporting and dashboards; risk analytics; dynamic compliance; and market monitoring.

[SolveXia is a RegTech business.](#)

The 2019 EY Global RegTech Industry Benchmark Report noted Australia as one of the top ten global RegTech markets, with 5% of RegTech companies headquartered in Australia, and 23 per cent offering services within Australia.

The committee is very interested in hearing first-hand about the 'lived experience' of entrepreneurs and small businesses operating in the FinTech and RegTech space in Australia. In particular, the following questions may be helpful for those businesses making written submissions to the inquiry.

#### *General Questions:*

- What area of technological innovation does your company specialise in?

[SolveXia has been in business since March 2008. We specialise in process automation, primarily focused on data generated for use by finance departments. The processes we deal with are complex in nature. Prior to our engagement, these processes require considerable human effort to ensure that every nuance is taken into consideration. No other software has been built that can accommodate the range of tasks we encounter.](#)

[We have built a platform that can \(a\) import data from multiple sources and in almost any format, \(b\) manipulate the data by means of a series of instructions \(about 100 in total\) that emulate the actions normally undertaken by individuals, and \(c\) present the end result in Excel spreadsheets, Word documents, PDFs or via a dashboard. The software is highly adaptable and easily used by subject matter experts \(the business people working in the finance department\) rather than requiring the assistance of an IT department.](#)

[Our clients are mainly large corporations that value the assistance provided to \(a\) re-engineer complex processes, \(b\) increase the accuracy of their output, \(c\) mitigate key-person dependency, \(d\) run the process in seconds or minutes, often down from days, \(e\) reduce costs, \(f\) enhance their reputation for certainty and consistency, \(g\) show evidence of governance, and \(h\) guarantee accurate documentation and an audit trail of every change.](#)

We are a SaaS business utilising Microsoft Azure cloud services in Australia as well as Europe. Our clients include businesses involved in banking, insurance, fund management, wealth management, travel, FMCG, pharmaceuticals, leasing, transport, aged care, property management and accounting services. 25% of our clients are outside of Australia.

- In general terms, how would you describe the operating environment for FinTech and RegTech start-ups in Australia?

The environment for FinTech and RegTech companies in Australia is comfortable. Initiatives to advance the way in which purchasers of RegTech software operate and ideas on how to improve the technology are almost exclusively generated by the providers of the technology, i.e. the recipients do not actively seek to improve their own *modus operandi*.

The beneficiaries of the technology are usually in back office functions who do not wield much power in their own organisations. They do not have access to funding in the same way as those generating income for their businesses because they can only justify a purchase in terms of cost savings.

In our experience, people would rather spend a dollar on something that has a 5% chance of making them \$20 (actuarially worth \$1) than they would spend a dollar on something that has a 90% chance of saving them \$10 (actuarially worth \$9).

- What are the biggest opportunities and challenges for your business in the short-to medium term? In particular, you may wish to comment on any of the following issues:

- o Capital and financing arrangements (including access to venture capital and other forms of finance).

We initially sought and received funding from angel investors, most of whom are very understanding that we take a long term view of the business and the industry in which we operate.

We are loath to seek capital from venture capitalists who impose strong views on the management of the business, are only focused on an exit and take up an inordinate amount of time to answer endless questions about daily activity and strategy.

- o Staffing, recruitment and talent retention.

Sydney provides access to an enormous pool of very talented, hard working individuals. We have been successful in recruiting from UNSW and UTS, both of whom provide easy-to-use recruiting websites.

Small RegTech businesses recruiting highly intelligent students inevitably lose a high percentage of their intake within 3 years, mostly to the Big-4 accounting firms or to investment banks. With luck, ex-employees become strong advocates for the technology developed by their previous employers.

- o Collaboration and partnerships with other nascent firms and traditional financial services firms.

It has proven difficult to collaborate with or form a partnership with traditional financial services firms. The level of interest however is increasing as the value of automating complex processes (rather than the simple movement of data from one system to another) is gathering significantly more attention.

- o Opportunities to expand into overseas markets.

There is no real impediment to expansion overseas other than the ability to pay for the staff or provide support to partners.

- o Issues affecting your business that may be specific to your product niche or area of specialisation (rather than affecting the FinTech and RegTech sectors as a whole).

- Do you have any suggestions on how the Australian Government can best facilitate the continuing growth of the FinTech and RegTech industries in Australia? The single, most valuable assistance that the Australian Government can provide an Australian RegTech business is to engage with the vendors of the technology. Ideally, an Australian provider should be given priority by the government when offering the same service as a non-Australian provider. A separate budget should be set to pay for services provided by Australian providers of RegTech software and a quota (money and time) enforced to ensure that meaningful engagement occurs. Technology decision-makers in government departments appear to have an overriding concern about what might happen if they make the wrong decision about purchasing technology from smaller local providers. This is often enunciated as “nobody gets fired for buying IBM”. This leads to overspending and a lack of support for local innovative solutions.

*Questions regarding regulatory settings in Australia:*

- Do current regulatory settings support the growth of local FinTech and RegTech companies in Australia?

No. There is no regulation to ensure that proper evidence of activity is generated or maintained. Countless processes are run at all Australian regulated businesses with no audit trail being captured, no guaranteed up-to-date documentation, only rudimentary verification and validation of data, no captured approval process and no certainty of ownership.

- What are the key reform priorities that will enable FinTech and RegTech innovations to flourish in Australia?

- 1) Prioritise Australian providers of RegTech software when a suitable solution exists.
- 2) Regularly engage with Australian RegTech providers.
- 3) Require Australian regulated businesses to ensure that audit trails of changes to their processes and files (including Excel) are captured, that up-to-date documentation is readily at hand, that higher standards are applied to verify and validate data, that approval processes are incorporated in the technology and that ownership of each process is clearly assigned.

- To what extent should government encourage or incentivise the disruption of existing financial services business models by new market entrants, as opposed to promoting partnerships between new and incumbent players? Are these aims mutually exclusive?

The government should incentivise the disruption of existing financial services business models by promoting partnerships between new and incumbent players.

- How can the FinTech and RegTech sectors link into the Australian digital identity ecosystem reforms?

- Can Australian regulators do more to support FinTech and RegTech companies to develop digital advice services? How can the Australian digital advice sector be supported to grow?

- Is the R&D Tax Incentive adequately assisting companies in the FinTech and RegTech space? If not, how should it be reformed to encourage innovation in these sectors?

Yes. The R&D Tax Incentive is a hugely valuable source of funding for businesses that thrive on innovation. The money provides an opportunity to promote greater freedom for those individuals who most need the space to express their creativity at work.

From a financial perspective, the cash is reinvested in the business thus increasing the probability of survival. In addition, losses are extinguished (not carried forward) so that, assuming future profitability, the R&D money will be repaid to the government by the recipient by means of an increased tax bill at a time when it is affordable.

- Are the existing visa settings for entrepreneurs and workers in the tech industry succeeding in attracting overseas talent into Australian FinTech and RegTech companies? Are changes needed to make this process more straightforward?

Existing visa settings for entrepreneurs and workers in the tech industry do not provide an impediment for any business with a genuine need to attract talent unavailable in the local market.

- How can public sector data be made more accessible and useful for FinTech and RegTech companies seeking to deliver innovative products and services?

*Questions regarding integrating FinTech and RegTech solutions across the economy:*

- In addition to traditional financial services, which sectors of the Australian economy could benefit most from the integration of innovative FinTech and RegTech technologies? Why?

Any business that is grappling with issues related to data mapping, accuracy and efficiency could benefit from RegTech solutions. In the same way as the ATO has become uncomfortable with tax information being maintained by individuals on Excel spreadsheets and forcing people to use software such as Xero, so the imposition by regulators of stricter rules relating to the use of spreadsheets by large corporations would raise the quality of information being generated.

- Are there current examples of innovations in this area that the committee could explore during its inquiry?

A demonstration of SolveXia would clearly illustrate the improvements that could be gained by its use and the ease with which regulators could gain increased confidence in the information being relayed to them by the businesses they regulate.

- What changes are required in order to create a better enabling environment for the transfer of technological innovations across sectors of the economy?

- Noting the lengthy sales cycle (approximately 2 years) for RegTech products to be adopted by companies, how can government assist emerging RegTech providers to ensure that this time lag does not preclude innovative technology solutions from being brought to market?

Businesses need to be incentivised to invest in improvements to the way they process and handle data. As long as most attention is paid to revenue generation rather than operational improvements, the latter will always suffer. A tax break on any payments made to outside technologists assisting with operational improvements would be very beneficial.

- How can technology solutions be used to improve access to financial and other services for geographically isolated or other marginalised groups in Australia?

The key to improving the lifestyle of any community, especially those that are geographically isolated and marginalised, is education. These groups need to have access to technology accompanied by a subsidised educational program. Without the latter, the technology is unlikely to be adequately utilised.

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