



**ASIC**  
Australian Securities &  
Investments Commission

**Select Committee on  
Financial Technology and  
Regulatory Technology**

**Supplementary Submission  
by the Australian Securities  
and Investments Commission**

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## A About this supplementary submission

- 1 ASIC welcomes the Select Committee's decision to reopen the Inquiry's submissions process in an effort to identify the critical needs required by the financial technology and regulatory technology sectors to support their ongoing development during and after the pandemic.
- 2 In this supplementary submission, ASIC provides an update of the activities of its Innovation Hub and its regulatory technology initiatives.
- 3 We also outline our ongoing engagement with industry stakeholders, and how we are planning to adapt the way the Innovation Hub works in the context of the COVID-19 environment.
- 4 ASIC is open to providing more information and answering any questions the Select Committee may wish to share with us.
- 5 For your convenience, we link ASIC's initial submission of December 2019 to the Inquiry here: [Select Committee on Financial Technology and Regulatory Technology – Submission by the Australian Securities and Investments Commission, December 2019.](#)

## **B ASIC's general response to COVID-19**

6 ASIC stated on 23 March 2020, that in coordination with the Council of Financial Regulators, ASIC will focus its regulatory efforts on the challenges created by the COVID-19 pandemic. Until at least 30 September 2020, the other matters that ASIC will afford priority are where there is the risk of significant consumer harm, serious breaches of the law, risks to market integrity, and time-critical matters.

7 ASIC is committed to working constructively and pragmatically with the firms we regulate, mindful they may encounter difficulties in complying with their regulatory obligations due to the impact of COVID-19.

[See [ASIC Media Release 20-070MR ASIC recalibrates its regulatory priorities to focus on COVID-19 challenges.](#)]

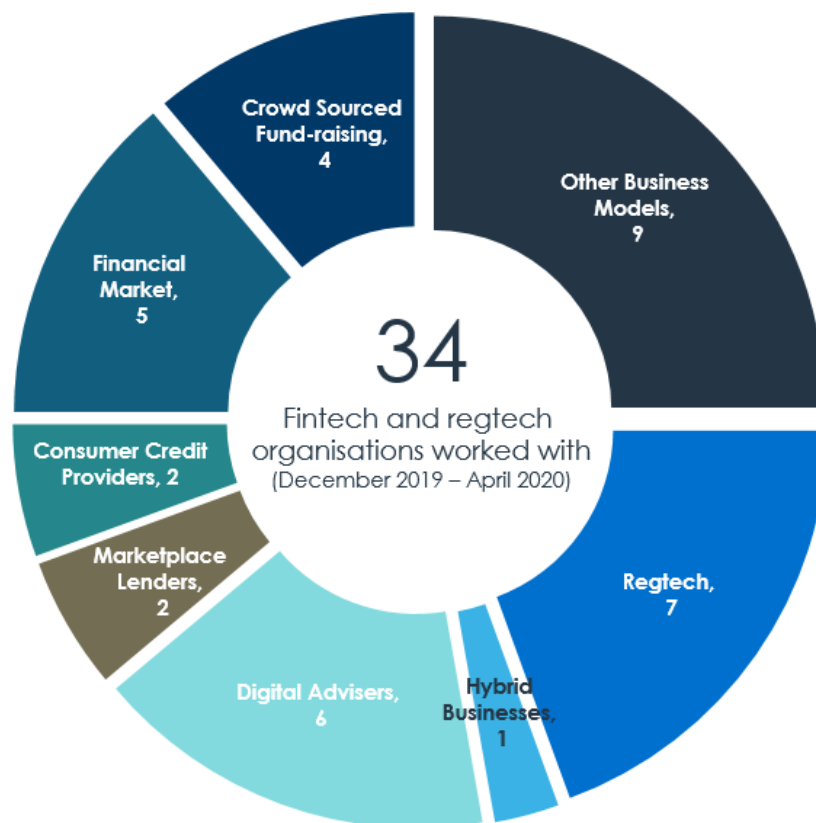
8 ASIC issued a more detailed announcement on 14 April 2020 about the recalibration of its activities – see [ASIC Media Release 20-086MR Details of changes to ASIC regulatory work and priorities in light of COVID-19](#) and the document issued with the media release called [Details of ASIC's regulatory work and priorities in response to COVID-19](#) (the 'Details document'). This announcement included an update on our work on:

- (a) Buy now pay later (BNPL) products (see item 23 of the Details document); and
- (b) the review of the ePayments Code (see item 25 of the Details document).

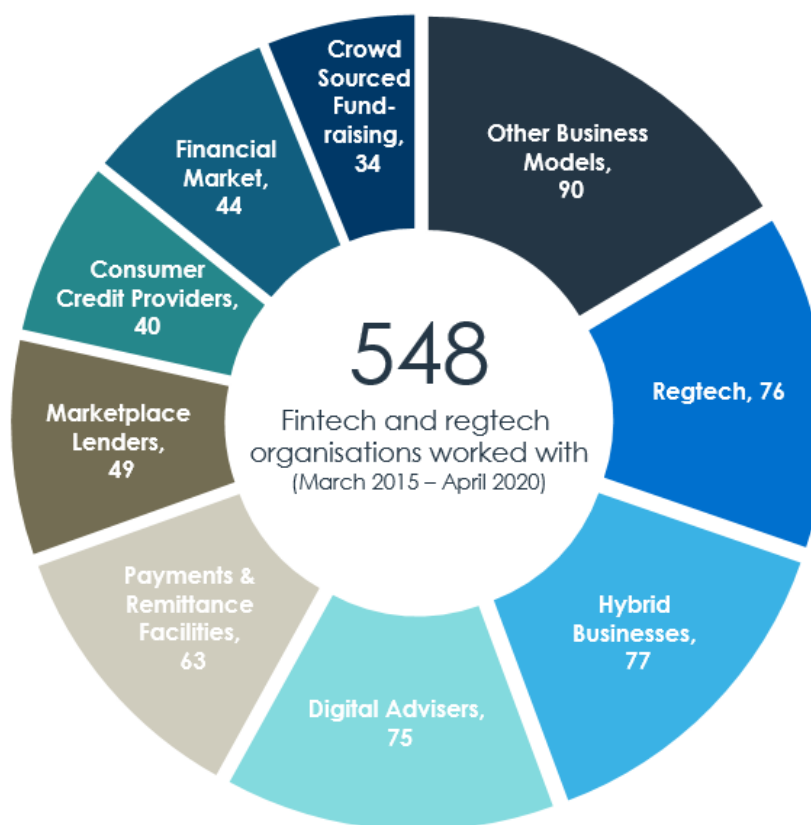
## C ASIC’s Innovation Hub Response

### Stakeholder Engagement and Informal Assistance

- 9 ASIC’s Innovation Hub continues, in the current environment, to help fintech and regtech start-ups and scale-ups navigate Australia’s regulatory framework through the provision of informal assistance. Our work with businesses is being undertaken remotely.
- 10 Since our original submission to the Select Committee we have received 34 new requests for engagement (Figure C-1). ASIC is still receiving a steady flow of inquiries in the COVID-19 environment. These additional meetings bring our total for working with innovative businesses to 548 entities since the inception of the Innovation Hub in March 2015 (Figure C-2).



**Figure C-1: Fintech and regtech organisations worked with from December 2019 to April 2020**



**Figure C-2: Fintech and regtech organisations worked with from March 2015 to April 2020.**

### Stakeholder Engagement Learnings

- 11 During our latest discussions with innovative business representatives, the Hub team have identified a series of themes running through the meetings. These themes include:
- (a) feedback that some businesses focusing on building better services and products during the locked down period, allowing for stronger go-to-market prospects from October 2020 onwards;
  - (b) the mere survivability of many fintech and regtech business during the pandemic;
  - (c) the eligibility of small fintech and regtech businesses to access support and assistance from Government and banks during this period; and
  - (d) the eligibility of fintech and regtech businesses to continue to employ their staff during this period.
- 12 ASIC is using the insights provided by fintech and regtech representatives to inform discussion with industry, regulators, and government agencies (see paragraph 17).

## Licensing

- 13 Licence application numbers for innovative businesses remain the same as they were in our December 2019 submission to the Select Committee. As a general matter, ASIC's Licensing team is currently reviewing the impacts of COVID-19 on the licensing process.
- 14 The Licensing team will adopt a flexible approach towards timeframes for applicants to respond to requests for information that ASIC regards as relevant to assessing the licence application.

## Domestic Regulator and industry association Engagement

- 15 ASIC continues to conduct discussions with key regulators, Government departments, and industry associations.
- 16 We have been participants in recent and regular Fintech and COVID-19 Industry Impacts sessions hosted by the Department of Foreign Affairs and Trade (DFAT) looking at both the direct impact of the pandemic on industry (access to capital, restructuring of businesses, and renegotiating of contracts), as well as some of the broader implications (the rise in litigation over time, infrastructure and legal framework limitations during crises, as well as the permanent shift towards remote access and automation this pandemic may bring about).
- 17 ASIC has commenced hosting an inter-regulator and agency check-in discussing the current issues associated with the fintech and regtech sectors and how, either separately or together, we can assist these sectors. Participants in these discussions include representatives from the Australian Consumer and Competition Commission (ACCC), the Australian Prudential Regulation Authority (APRA), the Australian Trade and Investment Commission (Austrade), the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Department of Foreign Affairs and Trade (DFAT), the Department of the Treasury (Treasury), the Office of the Australian Information Commissioner (OAIC), and the Reserve Bank of Australia (RBA).
- 18 ASIC has commenced new regular conference call check-in meetings with both Fintech Australia and the RegTech Association as a means of continuing to monitor issues associated with the fintech and regtech sectors during the pandemic, as well as identifying how ASIC can assist these sectors.
- 19 Partly informed by these discussions, ASIC intends to continue with its Digital Finance Advisory Panel (DFAP), industry Meet-ups, and Quarterly Regtech Liaison Forums, albeit in a webinar format. We will look to recommence a regular schedule of these meetings in a new format from the

early May. These regular activities will be supported by using a variety of forms of communication with industry in the coming months (such as podcasts and news updates).

## International Regulator and Agency Engagement

- 20 In view of COVID-19, the Global Financial Innovation Network (GFIN) had to cancel their Annual Meeting in New York scheduled for 30-31 March 2020. Instead, GFIN meetings were conducted by conference facility during the week of 30 March.
- 21 During the recent GFIN conference call sessions, there were discussions on financial market and fintech trends, as well as mitigation strategies arising from COVID-19. A few regulators presented on the fintech and regtech initiatives undertaken within their jurisdictions; ASIC presented on the regtech initiatives we conducted during FY2018-19 and our current plans for further regtech initiatives in 2020.
- 22 The GFIN continues to develop and streamline strategies allowing businesses to engage internationally during and following the pandemic. The critical question it is grappling with is whether GFIN can continue supporting cross-border fintech and regtech trials throughout the current environment. It [published a new website](#) that includes a compendium detailing the regulatory requirements of each GFIN regulators. This was made with the intention of assisting fintechs to navigate multi-jurisdictional regulatory requirements.



## **D Regulatory Technology (Regtech)**

- 23 ASIC continues to hold the view that regtech has the potential to make important contributions to promoting regulatory compliance, market integrity, and positive consumer outcomes.
- 24 Looking to continue the Regtech Initiative Series commenced in FY2018-19, ASIC has had to review its planned initiatives for FY2019-20 in light of the impacts of the COVID-19 pandemic.
- 25 ASIC is considering different forms of the planned initiatives (via virtual platforms) or alternative initiatives to complement the new working environment. For example, ASIC may host a webinar on how regtech may be able to assist financial service firms in the supervision of staff working remotely, including at home.
- 26 In some cases, ASIC's planned regtech initiatives for 2019-20 will need to be postponed or cancelled.
- 27 ASIC will update the industry in May about its plans for the regtech initiatives for the remainder of 2020.
- 28 As stated at paragraphs 18 and 19, ASIC remains in contact with representatives of the regtech sector and will look to hosting its quarterly Regtech Liaison Forum through a virtual platform in the coming months.

## **E Government's Enhanced Regulatory Sandbox**

- 29 On 10 February 2020 the Government's Enhanced Regulatory Sandbox ([Treasury Laws Amendment \(2018 Measures No. 2\) Bill 2019](#)) was enacted by Parliament.
- 30 ASIC understands that the Government intends to make the Regulations to establish the Enhanced Regulatory Sandbox (ERS) framework in the coming months with a view that the regime commences three months after the commencement of the regulations.
- 31 In the meantime, ASIC is developing its approach to administering the ERS including the provision of guidance to businesses about how the ERS operates and what is expected of firms that intend to make use of the ERS.
- 32 ASIC has recently received some early interest and enquiries in relation to the ERS.