

24 December 2019

Committee Secretariat -- Select Committee on Financial Technology and Regulatory
Technology
Department of the Senate
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Inquiry into FinTech and RegTech

Dear Secretariat,

FINSIA thanks the committee for the opportunity to make a submission to the inquiry. We also thank the committee for preparing and releasing the associated issues paper.

Our submission highlights that FinTechs, while strong in technological knowledge and skills, may benefit from building their capabilities and standards in the business sector they are working in. We point out some practical ways that government could incentivise innovative firms to complement their technological capability and technology-based practice.

For context, FINSIA is a professional body for individuals. Our members come from across the financial services sector. FINSIA's core mission is to deepen trust in financial services by raising standards of conduct and competence, including through promoting membership of professional bodies and professional education.

We would point out that fledgling FinTechs may struggle with the demands of meeting regulatory requirements; building strong risk management and customer-focused cultures; and building technical and professional capability and standards specific to the sector they are working in, for example, banking, advice and securities. We would argue that encouraging innovation requires not only the relaxation of regulatory burdens in the short-term (through, for example, the existing regulatory sandbox), but also support for innovative firms to sustain themselves in the longer term.

Some practical ways for government to help innovative businesses survive and thrive in the longer term include:

- providing these firms with further regulatory concessions (for example, extending relaxation of licencing requirements) in exchange for the firm's management and staff undertaking relevant professional education and being members of professional associations
- extending government funding and student loans to student places for education provided by professional associations to the management and staff of these firms
- providing publicly available information about best practice in relation to risk management and customer experience

Professional associations have experience providing education and a conduct framework that address the technical, regulatory and ethical dimensions of business practice for the relevant sector, for example, banking, advice and securities. This can help businesses

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survive and thrive into the future, especially those whose strength is primarily their technological capability. Providing further regulatory concessions to innovative firms in exchange for professional education and membership for their people incentivises these firms to help their people develop all the dimensions critical to the sustainability of the business.

This approach can help to minimise the burden of strict compliance with regulatory requirements, while at the same time filling the regulatory gap left by concessions and also helping firms get ready for strict compliance with regulatory requirements once the concessions expire. This approach can help these businesses survive and thrive and seems a reasonable exchange for relaxing regulatory requirements that generally apply to financial services firms and practitioners.

Further, there is precedent for this approach. For example, the normal requirements for financial advisers to disclose fees to clients do not apply where advisers subscribe to an alternative fee disclosure framework that has been approved by the regulator. One such framework administered by a professional association has already been approved by the regulator.

The Tax Practitioners Board ('TPB') also recognises professional associations for the purposes of providing members with an alternative to strict compliance with normal statutory requirements. The TPB criteria for recognising associations include that members are required to meet appropriate education and conduct standards.

Meanwhile, ensuring that government funding and loans for vocational and tertiary education can more easily be made available for professional education will also help FinTechs and RegTechs to support their people to develop capabilities relevant to the particular sector they are working in.

FINSIA has had experience working with individuals working in FinTech to help them meet and maintain high standards of conduct and competence, which in turn supports their business in meeting technical and legal, regulatory and broader ethical obligations. For example, we have worked with firms for their people to achieve Chartered Banker status and adhere to professional standards and meet ongoing education requirements. This approach can help these businesses survive and thrive and seems a reasonable exchange for relaxing in the short-term regulatory requirements that generally apply to financial services firms and practitioners.

Should there be any queries or comments relating to this submission, please contact Dimitri Diamantes SA Fin, Head of Policy and Regulatory Affairs: d.diamantes@finsia.com.au. We would also welcome the opportunity to meet with the committee.

Kind regards,

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