



SUBMISSION PAPER:

# **Select Committee on Financial Technology and Regulatory Technology - Covid-19 Post-Recovery**

April 2020

*This Submission Paper was prepared by FinTech Australia working with and on behalf of its Members; over 300 fintech Startups, VCs, Accelerators and Incubators across Australia.*



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## About this Submission

This document was created by FinTech Australia in consultation with its members, which consists of over 300 company representatives. In particular, the submission has been compiled with the support of our Co-leads:

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This Submission has also been formally endorsed by the following FinTech Australia members:

- Afterpay
- Agridigital
- Airwallex
- Archa
- Athena Home Loans
- Banjo Loans
- Basiq Pty Ltd
- Beyond Inc
- Birchal
- Brighte
- BUTN
- ClearScore
- Cloudfloat
- Coinjar



- Credi
- Cynch Security
- Data Republic
- Entersoft
- Ezypay
- Finch
- Forum Care
- Frankie Financial
- Frollo
- Geora
- Get Capital
- Grow Finance Group
- Harmoney Australia
- in1bank Ltd
- InDebted
- Inkpay
- Insight Data Solutions
- Judo Bank
- Kova Tax
- Lab35
- Limba Loans
- Link4
- Longevity App
- Mafematica
- MoneyPlace
- Monoova
- Moula
- Omni-Financial
- On Deck
- Open Sparkz
- Pax Technology



- Paypa Plane
- Prospa
- QuietGrowth
- Reinventure
- RelayPay
- Roll-it Super
- Selfmade Super
- Six Park
- Sniip
- Square
- Stone & Chalk
- Suite2Go
- Tanggram
- Telescope Financial Services
- TransferWise
- Verrency
- Virgil Assist
- Volt Bank
- Wizr
- Zip Co
- Zuper Financial Pty Ltd

## **Submission Process**

In developing this submission, our members have engaged through email correspondence to ensure everyone had the opportunity to provide input on the issues relating to the downturn of the economy and its effects on the ecosystem.



## Context

Covid-19 has impacted the fintech ecosystem in a significant way, with many fintechs already laying off and standing down considerable proportions of their workforce. Recent amendments to the Job Keeper subsidy to allow access by new and high growth businesses are a welcome change that will go some way towards improving the financial outlook for fintechs. However, more needs to be done in respect of supporting the fintech ecosystem, which was already in a precarious position before Covid-19 as most companies are still pre-revenue or invest all their revenue directly back into R&D to support their future growth. In addition, as an industry fintechs have created a significant amount of new jobs over the past 24 months and have brought versatility to the workforce including remote working, part time, and bringing people back to work.

The time to act is now in order to prevent an irreversible market shock to the Fintech sector. Anything the Government can do in maintaining confidence, supporting investment and keeping people in jobs across the Fintech sector during the crisis is key to maintaining the upward trajectory of increased competition in the banking sector. The below submission was drafted with member input, with a focus on a variety of areas, including R&D tax incentives, bridging finance, grant and loan schemes as well as Consumer Data Right, Comprehensive Credit Reporting and other regulatory regimes.

We have also set out a number of measures that have been implemented internationally, specifically in the jurisdictions of Singapore, France, New Zealand, the United Kingdom, European Union, and Hong Kong.



## Short term support

We acknowledge and commend the available Government support that enables consumers and small businesses that are served by the fintech sector to survive the economic hibernation resulting from Covid-19, including:

- The JobKeeper Payment, to enable businesses - including small businesses, start-ups and scale-ups – that are impacted by Covid-19 to be able to access a subsidy from the Government to continue paying their employees.
- The Coronavirus SME Guarantee Scheme and the Structured Finance Support Fund, which support the provision of credit to small businesses.

The regulatory relief provided to fintechs to enable the sector to continue to support their customers and the wider economy in surviving the economic hibernation. The short term shock that the fintech ecosystem will experience is already being felt by some of our members, with a number considering redundancies and pay cuts. Members believe the continued promotion of a competitive financial services sector should be a fundamental objective of the Government's distribution of existing support and any further initiatives to support consumers, small businesses and the wider economy. Additional, fast and effective short term support is vital if we want to maintain the viability of fintech businesses. Members identified a number of short term measures that could be implemented to soften the blow of Covid-19 and support fintechs in their rollout of products and services.

## R&D Tax Incentive

An increase in the R&D tax incentive from 43% to 65% for the 2020 financial year would be beneficial, as well as facilitating early access to R&D tax concessions. An acceleration of R&D tax incentives would also prove beneficial to the fintech ecosystem. Waiting for businesses to submit new claims for the 2020 financial year would not provide benefits quick enough. Instead the Government should make immediate payments based on claims submitted for the 2019



financial year. A two times multiplier could be established for R&D with a focus on SMEs (applying, for example, those with a turnover up to \$50 million per financial year). This would provide immediate financial benefit to SMEs in innovation intensive sectors, which in turn would support jobs and research.

## Bridging Finance

The provision of bridging finance to fintechs is another measure that has been flagged as beneficial. A similar scheme has been adopted by the French Government in March 2020, where €4 billion will be made available for things such as loans to guarantee wages of French startup employees for up to two years, and fast-tracked tax returns. Such a scheme could be provided by the Government to the fintech sector in various ways. The Government could set aside a portion of stimulus for direct investment into growing scaleup businesses and venture capitalist based SMEs. The Government could also provide financial support in the form of dollar matching of existing investor commitments for bridge finance (up to a certain dollar amount), provided by way of a non-recourse loan with a 2 year timeframe. This loan can be fully repayable at a low interest rate, and could have further stipulations, such as tying it to no, or minimal loss of employees during the term of the loan. Such a condition would aid in protecting jobs through the Covid-19 crisis.

## Payroll Tax Relief

As discussed above, cash flow is a significant issue for fintechs and startups alike. Changes to payroll tax have been seen as a positive change, but unfortunately do not help early stage startups that rely largely on a contractor workforce, or larger fintechs with large turnover and large amounts of staff (this is a particular issue for our members in Victoria and New South Wales. In respect of payroll tax relief, neo banks, neo lenders and challenger banks generally meet the turnover thresholds to qualify as a small business. However, they typically do not meet the salary bill thresholds due to requiring large amounts of staff to comply with licensing requirements. An extension of payroll tax relief to small companies that don't meet the salary bill



threshold would be a welcome change that would assist neo banks and challenger banks in maintaining their current workforce.

## JobKeeper

Eligibility regarding JobKeeper is also an issue for startups that utilise contractors, employees on specialised visas or casual workers, as they are typically engaged on an as needed basis, often for less than 12 months. Receiving JobKeeper payments for contractors, visa and casual workers who would otherwise be ineligible for the JobKeeper scheme would allow the business to continue operating, and would keep those workers employed. The requirement that companies demonstrate a 30% reduction in turnover when compared to the previous year is also inappropriate for many fintechs. While we acknowledge and thank the Government for action already taken in respect of this, we would like to propose an alternative test:

- any high growth business, being defined as having turnover growth higher than 100% between the March 2019 and March 2020 quarters, that expects turnover growth in the June 2020 quarter to be below 17.5%, or in the June and September 2020 quarters to be below 35% (i.e. below 70% annualised turnover of goods, equating to over a 30% fall in turnover growth rate); and
- has been registered for more than 12 months;
- has more than 10 employees; and
- has applied for JobKeeper.

Such a test will provide more certainty to high growth companies with large amounts of employees as to the availability of JobKeeper payments. This will assist in reducing the burden on the Australian Tax Office (“**ATO**”) of assessing potentially hundreds of thousands of JobKeeper claims. Setting the employee job floor at 10 employees ensures the risk of businesses that are early stage without a proven product or service from claiming, but maintains availability to genuine high growth companies. The ATO can use forward turnover data to monitor Business Activity Statements for the June and September 2020 quarters to ensure that



the company genuinely reported a reduction in turnover revenue of either 17.5% or 35% (whichever is applicable) with clawback provisions.

In addition, because the definitions of “current GST turnover” and “projected GST turnover” (defined by reference to sections 188-15 and 188-20 of the GST Act respectively) exclude supplies that are input taxed, all lenders, including fintech non-ADI lenders are automatically disqualified from applying for JobKeeper. We therefore seek the Treasurer to exercise his discretion in allowing the Tax Commissioner to make an ATO Ruling for the class of financial services businesses that are non-bank lenders so that they are eligible to apply for the JobKeeper program if they meet the other requirements and thresholds for eligibility.

## Forbearance Issue for Lenders

Members that are specifically fintech lenders have emphasised that the delivery of Government support is crucial to raising awareness and consideration of fintech lenders, particularly amongst small businesses and consumers. To this end, it is important that the Government solve the forbearance issue experienced by non-bank lenders including fintechs. Generally speaking, allowing customers a 6-month or 180 day deferral would likely trigger covenants in funding structures related to the number of days past due (“**DPD**”) a loan is allowed to accrue before it requires the lender to contribute cash from their balance sheet. In any significant volume, this would have the consequence of causing a liquidity issue for the lender.

There are a number of potential ways to solve for this, including:

1. A fiscal solution whereby the Government through a new vehicle provides liquidity relief for deferrals of non-bank lender unsecured short-term loans, paid by the Government to the lender and repaid by the lender to the Government, as and when the customers commence paying this accrued but unpaid interest; and
2. A fiscal solution to provide funding to cure arrears using the AOFM via the Structured Finance Support Fund, noting that not all fintech lenders may be able to access the Fund, and that access will be determined by the priorities of the AOFM in dealing with applications.



## Low Interest Loans

Members have also signalled that they would benefit from further funding options, such as low interest loan arrangements and additional grant schemes. Even well-funded startups will conserve cash given the uncertainty of the capital raising environment. An additional cash flow injection will encourage spending in areas such as new hires and marketing. Additional eligibility criteria could be created for existing and new grant schemes to allow access for non-revenue and early revenue startups, such as deeming eligibility if that business operates from a recognised startup hub. Another potential solution would be to preserve cash flow through an extension of loan repayment terms to the Government.

Members also expressed that they would like more clarity and support regarding the Australian Office of Financial Management's ("**AOFM**") Structured Finance Support Fund ("**SFSF**"). Currently, the SFSF is available to non-bank lenders via warehouse and participation in primary market securitisations, as well as in the secondary market where it would free up capacity for other investors to participate in new primary issuance. Further, we would request that the Government considers assisting warehouse facilities and senior funders in being provided with term facilities equivalent to those provided to the banks. Senior funders require this as they are not on equal footing with the banks, and are critical for small business lenders who need to negotiate facility agreement covenant changes.

Some members have also noted that they would benefit from a specific short-term carve out in AML/CTF legislation to facilitate simplified, fast, digital customer due diligence during times of declared crisis or pandemic. This would enable fintechs to rapidly respond to customer needs in situations where small businesses require quick online access to services. Members have reported that customers have been adversely impacted financially by difficulty obtaining physical supporting documents, such as identification documents, trust deeds and other business documents. By removing procedural barriers fintechs will be able to, for instance, quickly and simply approve applications and provide capital to small businesses. However, we note that any changes that are made need additional guidance and close consideration to mitigate potential



new money laundering and counter-terrorism risks. Specifically, members have requested a general regulatory waiver of any requirement under AML/CTF legislation that means a fintech must obtain an original document in hard copy, to allow the fintech to obtain such document in digital format.

Members have suggested that the Crowd Source Funding (“**CSF**”) regime be strengthened to allow for fast and efficient delivery of capital to fintechs through established infrastructure. This could be achieved through an expansion of the Early Stage Innovation Company (“**ESIC**”) regime to improve incentives for investors to invest in early stage startups, such as a tax offset and a capital gains tax exemption. Members also suggested simplification of eligibility by aligning with CSF eligibility requirements. Additionally, the CSF regime could be expanded to include other types of security such as debentures so that SMEs can use the CSF regime to issue debt instruments without needing to use trust deeds.

## Medium term support

In terms of medium term support, our members have identified a number of possible solutions. Firstly, Members have flagged that solutions listed above, such as the expansion and acceleration of R&D tax incentives and related grants, low interest loans, accelerated bridging finance, and payroll relief would also benefit businesses in the medium term. In addition to these measures, an extension could be made to payroll relief measures where payroll tax is reduced or put on hold until the second quarter of the 2021 financial year for companies that operate in more than one State or Territory. Government innovation grants

Members have suggested the Government create a targeted grant scheme to fund continued innovation in an environment of increased withdrawal of venture capital. This scheme could be aimed at promoting innovation in key initiatives such as the implementation of the Consumer Data Right or progressing payments through the New Payments Platform. This would have the added benefit of not only financially supporting innovative fintechs and startups, but also supporting development and adoption of the Consumer Data Right by industry, and its customers.



## Consumer Data Right

Members have expressed that the Government should also commit to the current Consumer Data Right timeline, as its implementation gives fintechs the opportunity to create new products and services, compete with incumbents, and reinvigorate the economy through new innovations and consumer access. The Government should also maintain timelines in regard to Comprehensive Credit Reporting.

## Direct Government investment

Direct Government investment into fintechs is also vital for their survival in current market conditions. Having Government as a customer would provide a well needed boost to fintechs, and would have the added bonus of improving internal Government processes and efficiencies. The Government could also engage with the fintech community in developing technology that assists in distributing Covid-19 support to recipients, such as technology to help administer JobKeeper. Banks should also be encouraged to partner with fintechs in business lending to achieve increased small business lending. The Government could include these measures in its accelerating commercialisation agenda. Coupled with consideration of the fintech ecosystem as a crucial growth segment of the economy, and a reduction in red tape for access to grants, these initiatives would be considerably beneficial to the fintech industry and the economy as a whole.

At the moment, the fintech sector could benefit from the Government assisting them in tapping into the markets in regional, rural and remote areas. Australians in these areas, and elsewhere, are currently adapting to social distancing measures that have forced many businesses to move online, causing substantial change in their operational structures. Introducing these individuals to fintechs would be able to make this transition smoother, thereby retaining the viability of more businesses, rescuing more jobs, and securing the future of the economy through the Covid-19 crisis. This can also be taken as an opportunity to improve the technological and financial literacy of at risk individuals in these areas, particularly those in remote areas, some of whom



have limited internet access. This has the added bonus of widening the fintech sector's market share and raises awareness of the ecosystem's offerings. Any such showcasing of fintechs from Australia, whether it be to regional, rural and remote areas or otherwise, should be Government supported and be done so via virtual means, so that expansion of the market and fintech's customer base does not slow.

Members have also expressed that an extension of protections for directors during an insolvency event beyond the recovery period would be beneficial.

## Long term support

Members have identified a number of measures that could be used to soften the blow of Covid-19's impact in the long-term, including measures relating to R&D tax incentives, the Consumer Data Right and Comprehensive Credit Reporting regimes, and among other things, greater direct Government support and investment.

## R&D tax incentives

Members have noted that in respect of R&D, any cuts to the R&D tax incentive would be detrimental to innovation and would drive revenue losses, decrease commercial monetisation opportunities and increase other hardships for fintechs. Instead, fintechs require commercial certainty in respect of the R&D regime, so that they can enter into long term contracts and commercial arrangements to develop new innovations with confidence.

Members have also noted that they would benefit from a fast tracking of fintech onboarding into the Consumer Data Right and access to a reasonable sandbox environment. The Government can also provide some element of economic certainty to fintechs by allowing them to continue using existing methods to access data such as screen scraping.



## Consumer Data Right

As noted above, members have reiterated that for long-term support to be effective regarding the Consumer Data Right, the current timeline should be adhered to. The future of the Consumer Data Right, and fintech involvement, would also benefit from a competition mandate, as well as a broadening of the Consumer Data Right to other industries. Members have also indicated that dedicated assistance to fund projects between fintechs and the New Payments Platform would be beneficial.

## Long-term direct Government investment

Direct Government support is also seen as crucial in long-term support for fintechs. In addition to the recommendations above, uptake of direct Government support of fintech products and services could be encouraged through a mandated procurement percentage. The Government should also be facilitating discussions between the fintech industry and business leaders, inviting them to solve large scale problems. Singapore is a shining example of Government and fintech collaboration in solving societal and industry problems with the aim of developing a smarter city.

## Comprehensive Credit Reporting

Members have expressed that there should be an increased sharing of credit data, as the Comprehensive Credit Reporting regime is still light on reporting data such as existing balances for credit cards. Comprehensive data is needed particularly where an SME customer has a positive repayment history. This kind of data would allow small business lenders to make better decisions such as whether they should offer repayment holidays to those that are in need. An expansion of data under the Comprehensive Credit Reporting regime to an international standard would support fintechs and enable them to lend more responsibly. Members have also flagged that allowing the digital verification of income through open access to PAYG and BAS instalments with consumer consent would also go towards this goal.



## Post-recovery support

In respect of post-recovery support, members noted that the implementation and continued support of the measures listed above were essential in ensuring the continuation and survival of fintech businesses.

## Encourage innovation and attract high skill labour

Members noted that the ESIC regimes should be amended to promote further innovation, such as by amending the qualification period to allow for application beyond early stage startups. To promote a consistent influx of high skilled labour, visas should be fast tracked where those workers possess skills and qualifications related to tech, as immigration levels will be down significantly due to Covid-19.

Another approach to lessen the impact of Covid-19 on the fintech ecosystem would be to extend further tax incentives to those investing in early stage venture capital limited partnerships (“**ESVCLPs**”) to encourage 'top of funnel' capital. Further, extending the non-refundable carry forward tax offset from, for example, 20% to 30%, could be another way to encourage continued investment in the early startup stage asset class. In addition, eligible asset classes could be expanded to include ADI's etc. As you'll see from our submission to the Senate Select Committee on Financial Technology and Regulatory Technology,<sup>1</sup> extending the funding accessibility of ESVCLP funds would not only benefit neo banks, but also for fintechs in the areas of property development, land ownership, finance, insurance or making investments directed at deriving passive income.<sup>2</sup> Access by neo banks to capital could also be facilitated by championing initiatives such as more generous tax incentives for investments in early stage

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<sup>1</sup> FinTech Australia, Submission No 19 to Senate Select Committee, *Inquiry into Financial Technology and Regulatory Technology* (December 2019) 93.

<sup>2</sup> FinTech Australia, Submission No 19 to Senate Select Committee, *Inquiry into Financial Technology and Regulatory Technology* (December 2019) 93.



fintechs (including neobanks) for amounts up to a certain amount (for example, \$20m). Unfortunately, current legislation prohibits venture capital limited partnerships (“**VCLP**”) and ESVCLPs from investing in Authorised Deposit-taking Institutions (“**ADIs**”). There is, however, a potential tax advantage for an investor using a VCLP/ESVCLP, which may encourage these investors to specifically look at neo banks if ADI investment restrictions are lifted. We also note that ADIs are also specifically excluded from certain investor incentives that are made available to foreign investors that are available to other companies.

## Neo banks and challenger banks

Direct capital injections into neo banks by the Government would also be highly beneficial. This would require a consideration of things such as the quantum of the investment and the investment period. We note that such an injection was made by the Australian Office of Financial Management in residential mortgage backed securities during the global financial crisis to support lenders during a period of market failure.

Members have also noted that neo banks and challenger banks are not eligible for the Export Market Development Grant (“**EMDG**”). Access to the EMDG scheme is vital for businesses that wish to export to other markets, and would be well placed to assist neo banks and challenger banks in doing so. Additionally, due to capital requirements imposed on ADIs, tax-free grants would be more suitable than loans.

Our members have expressed that the Reserve Bank of Australia’s (“**RBA**”) \$90 billion corporate/SME Term Funding Facility (“**TFF**”) is not directly available to neo banks and challenger banks where that bank does not lend to corporates or SMEs. Even where a neo bank or challenger bank lends to these sectors, they do not have the large self-securitised mortgage books that are used by the major banks as collateral for the TFF. Competition in the Australian banking sector suffers a great detriment from this discrepancy, as the access to cheaper funding enables major banks to lower the cost of overall funding. This in turn allows major banks to subsidise their lending businesses (including residential mortgages) by being more aggressive on acquisition. Additionally, while the Australian Prudential Regulation Authority



(“APRA”) has granted capital buffer relief to ADIs, due to the early stage of neobanking in Australia many neo banks have not had sufficient time in existence to be able to mature to the point of having excess capital buffers.

## Public investment into consumer experience

Members have also indicated support for publicly funded access to the New Payments Platform, BPAY, EFTPOS and other national payment infrastructure. Additionally public investment into the consumer experience is vital in maintaining growth in the fintech space, including into:

- payments infrastructure that is ubiquitous, instant and at either a low, or no cost to consumers;
- public switching services to enable customer switching in superannuation, banking, telecommunications, energy and other industries;
- Digital ID to allow consumers to identify themselves, particularly in the online environment without giving away information which could lead to identity theft;
- ensure electronic signatures are enforceable in all contexts to allow people to continue doing business in an environment where face to face interaction is impossible;
- digitisation of property purchase and settlement including by making electronic signatures on deeds enforceable removing the requirement for a wet signature to purchase a home or register interests over titles (including in relation to mortgages); and
- a centralised AML database to reduce AML costs for the sector.

## Consumer Data Right Data Body

Additionally, the Government should consider undertaking a process of regulatory centralisation with respect to the Data Economy (similar to Singapore). Currently, regulatory responsibility for all relevant elements of the data economy are split across multiple different bodies or Government departments, including:



- Australian Securities and Investment Commission (“**ASIC**”) – appears to hold responsibility for regulatory sandbox initiatives and cross border regulatory harmonisation relating to data.
- APRA – has regulations relating to financial services data (sovereignty, utilisation of cloud technology, presence of data outside of firewall etc). APRA also holds oversight on financial services problems which are ostensibly data sharing problems (income verification, expense verification, responsible lending, Comprehensive Credit Reporting, etc);
- Australian Competition and Consumer Commission (“**ACCC**”) – newly-introduced agency with responsibility for oversight and enforcement of the Consumer Data Right and Open Banking regulation, as well as driving outcomes from Digital Platforms Inquiry;
- Data61 appointed Data Standards Body with responsibility for the technical implementation of the Consumer Data Right regime across banking, energy, telco;
- AUSTRAC – data driven policing of AML/CTF compliance, including KYC procedures (both of which are data sharing and digital identity problems);
- Digital Transformation Agency – under Department of Prime Minister & Cabinet, holds the policy framework for Digital identity and federal Open Data strategy;
- Office of the Australian Information Commissioner (“**OAIC**”) – responsible for privacy regulation and enforcement of APP’s;
- Home Affairs – responsible for cyber-security, which is inextricably linked to the design, development and regulation of a data economy.

The consequences of this fragmentation have been felt by our members in the following ways:

- Confusion within and outside of Government about departmental ownership and mandate for different components of the data value chain. As a result, there is no clear pathway to engage with Government as either a vendor or a policy advisor (by contrast, our members are actively operating in global markets in a manner facilitated by central Governmental agencies).
- Piecemeal legislation and policy action ignores the fact that data is a by-product of systems and requires a systems-based approach to both opportunity and risk



management. Solving data policy one issue at a time with disparate departmental leadership has created a labyrinth of competing data priorities and compliance burdens, e.g. Open Banking does not align with closed AML/CTF requirements. This significantly reduces private sector bandwidth for value creation with data. Data has become a one-sided risk conversation, to the detriment of our national productivity.

- Government competition with private enterprise. The role of the CSIRO and more specifically Data61 appears to be at odds with the Government's mandate of competitive neutrality. We often find Data61 competing directly with private enterprise for Government and non-Government work. This is further complicated by the quasi-regulatory role that Data61 plays as the Consumer Data Right Data Standards Body.

By consistently taking a narrow-view - for example just focusing on Open Banking and fintech - we ignore the fact that everything comes back to the design and regulation of the consumer data right for Australia's data economy. The Government should be an enabler rather than a blocker and even worse, a competitor.

## Consumer Data Right 2.0 Consent Management

FinTech Australia submits consent should remain a fundamental component of the data value exchange between organisations and consumers. We acknowledge that privacy advocates and global data giants alike propose that consent is an unnecessary / unhelpful burden (though they claim this for very different reasons). However, a properly constituted dynamic approach to consent capture, codification and management ("**Consent Management**") overcomes the technical and experiential difficulties with static consent.

Consent Management requires that consent is simple, unbundled and granular, and systemically ingrained - giving opportunity for consumers to have full control and determine how much data to share, with who and for what purpose; equally to give data collectors ability to tailor products, services and incentives to match consent (i.e. if a consumer has a narrow



consent then they just get the service with no frills, if they have a broad consent then they get the service with frills (could be loyalty points, a discount, special offers)).

Ultimately, the concept of consent has evolved from a binary broad-based catch all to an informed, granular choice. The fundamental elements of informed, fine grained consent are:

- That the consent is **express** - that is that the consumer makes an active choice to consent, rather than is taken to consent by implication or silence.
- That the consent is **unbundled** - that is that the consent, if broader than absolutely necessary to deliver the product or service, is not a condition of receiving or obtaining that product or service. The customer should have the ability to determine how broad or narrow the consent is.
- That the consent is **simple** - that is that the scope of the consent is easy to consume and understand. This is primarily a Customer Experience requirement.
- That the consent is **revocable** - that is that the customer has the ability to withdraw the consent at any time.
- That the consent is **time-bound** - that is, that the consent is not indefinite or not effectively indefinite (for example an excessively long time-period). 12 months is often tossed around as an absolute limit.

Critically, in order to avoid consent fatigue for consumers and impractical technical burdens for consumer facing organisations, the elements of Consent Management set out above need to be capable of codification and a common taxonomy of permitted uses developed. This takes the existing Consumer Data Right framework further into a more practical, easily adoptable framework. Under Consumer Data Right 2.0, the codification and taxonomy need to be capable of implementation at the API level and permit transmission of consent and the underlying data related to the consent, between different entities and geographies (subject to the permitted use associated with the consent).

- That the consent is revocable - that is that the customer has the ability to withdraw the consent at any time.



- That the consent is time-bound - that is, that the consent is not indefinite or not effectively indefinite (for example an excessively long time-period). 12 months is often tossed around as an absolute limit.

Critically, in order to avoid consent fatigue for consumers and impractical technical burdens for consumer facing organisations, the elements of consent set out above need to be capable of codification and a common taxonomy of permitted uses developed. The codification and taxonomy need to be capable of implementation at the API level and permit transmission of consent and the underlying data related to the consent, between different entities and geographies (subject to the permitted use associated with the consent).

In a practical sense, this approach would enable consumers to manage their consents through a centralised consent wallet, according to the level of granularity they desire. In addition, organisations can engage directly with consumers through that consent wallet or through the use of agents acting on their behalf - this would be determined by the level of technical sophistication and capability of each organisation.

## International Competition and International Response to Covid-19

Internationally, fintech-focused countries are implementing extensive measures to not only support SMEs, but specifically fintechs and other tech businesses. This specific support for technology companies is vital, as they incur expenditure that is unique to their industry and business, such as IT and Cyber security related costs, legal costs associated with regulatory compliance and vendor costs. In addition, our international competitors giving extra support to fintechs during Covid-19 will further progress their ecosystem at the detriment of the Australian fintech ecosystem and their global expansion especially into the region. We have considered below the measures implemented in the jurisdictions of Singapore, France, New Zealand, the United Kingdom, European Union, and Hong Kong.



## Singapore

Singapore by far has the most extensive fintech focused Covid-19 measures, which demonstrates how much the Singaporean Government values their fintech industry. The Monetary Authority of Singapore's ("**MAS**") package has three main components:

1. supporting workforce training and manpower costs;
2. strengthening digitalisation and operational resilience; and
3. enhancing Fintech firms' access to digital platforms and tools.

We have also attached an infographic below from MAS that summarises the new implementations.

### **Supporting workforce training and manpower costs**

Under this arm of the package, MAS is launching a new grant, called the Training Allowance Grant ("**TAG**") that will encourage financial institutions and fintechs to train and upskill their employees during this period of downturn. This grant scheme is also available to Singapore and Permanent Residents outside of financial institutions and fintechs. Subsidies for course fees for those attending Singapore Banking and Finance ("**IBF**") courses will increase and will now be made available to employees of fintech firms. Salary support for financial institutions will also be doubled to allow for these businesses to hire more employees from other sectors and place them in talent development programmes.

### **Strengthening digitalisation and operational resilience**

A new grant, called the Digital Acceleration Grant ("**DAG**") is being implemented by MAS which will aim to support digitalisation, strengthen operational resilience and improve process efficiencies, risk management and customer service in fintechs and financial institutions. This will involve the adoption of digital tools and the upgrading of systems, such as document



collaboration software, and videoconferencing systems. Under the DAG scheme, there will be two sub-schemes. The first, called the Institution Project Track, will support 80% of qualifying expenses of businesses in the adoption of digital solutions, capped at S\$120,000 per entity. The second, called the Industry Pilot Track, will support collaborations between at least 3 smaller financial institutions to customise digital solutions for implementation within their businesses through a co-funding of 80% of qualifying expenses, capped at S\$100,000 per participating financial institution per project.

## **Enhancing Fintech firms' access to digital platforms and tools**

MAS will also provide all Singapore based fintech firms with access to API Exchange, an online global marketplace and sandbox for collaboration and sales, for free for a 6 month period. This will allow fintechs and financial institutions to integrate and test solutions for effectively using cloud-based infrastructure. MAS will also be setting up a new digital self-assessment framework in collaboration with the Singapore FinTech Association, which will allow fintechs to assess and provide information to financial institutions regarding the quality of their solutions.



## WE ARE IN THIS TOGETHER

COVID-19 **FinTech** Care Package

### SAVE MANPOWER COSTS



**Wage Support of S\$15 Per  
Hour of Training**  
for each local employee  
under the Training Allowance Grant



**Wage Subsidy**  
under the Jobs Support Scheme,  
capped at 25% of the first S\$4,600  
(75% for the month of April)

### SAVE OPERATIONAL COSTS




**90% Course Fee Subsidy**  
for each local employee  
attending IBF courses  
(up to \$7,000)




**80% Funding Support**  
for adoption of digital solutions for remote  
working and productivity under MAS' Digital  
Acceleration Grant for FinTechs (up to S\$120,000)



**SUPPORT FOR YOUR SALES**




**6 months free access to APIX<sup>1</sup>**  
 MAS supports FinTechs to use APIX for global sales engagements  
 (Worth more than S\$17,000)




**Expand your market to SME FIs**  
 MAS supports SME FIs to adopt FinTech solutions amidst the economic downturn  
 (Up to S\$120,000)


**HERE'S MORE ASSISTANCE DURING THIS DOWNTURN !**



**Bank Credit & Insurance**  
 Defer payments of loans and insurance premiums  
 (Refer to MAS Announcement on 31 Mar)




**Digital Hackathon on APIX**  
 Join various global digital hackathons on APIX platform




**Free Self Assessment**  
 for compliance to MAS' Outsourcing & TRM guidelines so that you can accelerate your sales cycle with FIs


**Other Industry-Led Support**



**Discount on Rental Cost & Cloud Services**  
 (eg 50% discount for new memberships at all Bridge+ Coworking space till 31 Dec 2020. For FinTechs only)



**Complimentary Insurance Top-Up**  
 (eg Various insurance companies have come up with special COVID-19 response package)





**Salary Subsidy Grant for Poly Grad Hire**  
 (eg Startup Talent Factory scheme offers up to S\$12,000 salary subsidy grant for new & existing poly grad hire)

1. APIX is the world's first cross-border, open-architecture API platform, where FIs and FinTechs can integrate and test solutions via a cloud-based architecture.

8 April 2020

LEARN MORE AT







## New Zealand

New Zealand has developed an extensive package for SMEs generally, aimed at wage subsidies, bolstering healthcare responses, money for low-income families, and those on social welfare, and changes to business tax.

In relation to tech companies, the New Zealand government has accelerated R&D tax credit refunds to the 19/20 financial year rather than in the 20/21 financial year. In respect of business generally, the Government has re-introduced depreciation for non-residential buildings and introduced provisional tax relief, use-of-money interest (“**UOMI**”) write-offs, low value asset write-offs and improved information sharing between government agencies.

The New Zealand Government has also introduced a wage subsidy scheme where employers will receive a lump sum payment of NZ\$585.80/week for employees that work 20 hours or more per week, and NZ\$350/week for employees that work less than 20 hours per week. Each employee is covered for 12 weeks, and the subsidy is uncapped.

A business is eligible for the subsidy where it is registered in New Zealand with legally employed workers, and must be able to demonstrate a 30% reduction in actual or predicted revenue due to Covid-19 over the period of a month when compared with that same month last year. Businesses that have not operated for a year can demonstrate this through a comparison of a reasonably equivalent month. Any decline in revenue must have occurred between January and June 2020. The business must also have taken active steps to mitigate the impact of Covid-19 on their business activities, such as by engaging with their bank, using cash reserves, lodging an insurance claim, or by engaging with relevant industry associations or the Regional Business Partner programme or Chamber of Commerce. Under this scheme, sole traders and self-employed individuals may also be eligible, along with registered charities, NGOs, incorporated societies and post-settlement government entities.



## United Kingdom

The UK Government has recently announced that it will issue £20 million in grants to startups, capped at £50,000 each to businesses that are developing solutions for society or an industry that has been impacted by Covid-19. A project is eligible where the costs are between £25,000 and £50,000, can be started by 1 June 2020, and will last 6 months. A business is eligible to lead such a project where it is registered in the UK, the project is undertaken in the UK and benefits the UK. In addition to this, the Government is subsidising 80% of employee wages for employees that are not laid off. Cash flow support is also being granted small businesses through the Coronavirus Business Interruption Loan Scheme. Loans under the Scheme are 80% Government guaranteed, capped at £5 million for businesses with turnover below £45 million. Loans below £250,000 do not require personal guarantee and such guarantees will only cover the 20% unguaranteed amount above that limit. For the first 12 months, interest and fees are not payable. The Government has also recently proposed to implement legislation that allows for SMEs to reclaim Statutory Sick Pay.

The UK Government has promised £1 billion of support to startups in response to Covid-19. £750 million is being allocated by the Government for grants and loans to SMEs with an emphasis on R&D. £250 million will be committed to a new £500 million fund called the Future Fund, which focuses on high-growth companies. The private sector will contribute the other £250 million to the Future Fund. To be eligible for funding from the Future Fund, the company must be an unlisted UK registered company, have raised at least £250,000 in aggregate from private third party investors in previous funding rounds over the last five years and have a substantive economic presence in the UK. Through the fund, the Government will provide unsecured bridge funding at 50% with private investors providing the remaining 50%. Government investment will range from £125,000 to £5 million, however, private investments are uncapped. The loans will take the form of convertible loans, where if loans are not repaid they will be converted into equity in the company.



## Hong Kong

The Hong Kong Government has implemented a variety of measures to support SMEs. Business registration fees have been waived for the 20/21 financial year, and registration fees for company annual returns have been waived for two years. The Government has also introduced low-interest loans with a 100% Government-backed guarantee for enterprises. Applications are open for 6 months, with a max loan of up to HK\$2 million with a repayment period of up to three years. There is a repayment holiday for the first 6 months. In addition to this, a one-off reduction of profits tax has been proposed, which would be capped at HK\$20,000 and will be deducted from the taxpayer's 19/20 financial year payable tax. Each Hong Kong permanent resident will also be granted HK\$10,000.

## France

The French Government has committed €4 billion to the startup sector, as part of a larger €300b commitment. This commitment includes loans to guarantee wages of startup employees for up to two years, and fast tracked tax returns. A solidarity fund has also been developed by the Government for entrepreneurs, merchants, artisans. Financial support of €1,500 will be provided for the smallest businesses, the self-employed and microenterprises in the sectors most affected. The Government has also recognised Covid-19 as a force majeure event for public contracts.

## European Union

On 8 April 2020, the European Commission launched ESCALAR. Developed with the European Investment Fund, ESCALAR is a new investment approach that will support the growth and expansion of high potential companies. Up to €300 million will be provided initially to increase the investment capacity of venture capital and private investment funds, with the aim of increasing this amount to €1.2 billion. This initiative is part of a larger SME strategy to improve access to finance for SMEs.



## Conclusion

The time to act is now in order to prevent an irreversible market shock to the Fintech sector. Anything the government can do in maintaining confidence, supporting investment and keeping people in jobs across the Fintech sector during the crisis is key to maintaining the upward trajectory of increased competition in the banking sector.

## About FinTech Australia

FinTech Australia is the peak industry body for the Australian fintech Industry, representing over 300 fintech Startups, Hubs, Accelerators and Venture Capital Funds across the nation.

Our vision is to make Australia one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to drive cultural, policy and regulatory change toward realising this vision.

FinTech Australia would like to recognise the support of our Policy Partners, who provide guidance and advice to the association and its members in the development of our submissions:

- Baker McKenzie
- DLA Piper
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