

Senate Select Committee on Financial Technology and Regulatory Technology
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Inquiry into the Australian Government's response to the COVID-19 pandemic
2019 - 2020

Division: Foreign Investment Division
Topic: Foreign investment in technology and financial services
Reference: Written –10 March 2021, IQ21-000021

Question:

Can we trust all of the nations (and private investors from certain nations) that may wish to invest in our tech industry, particularly in the important area of financial services? If not, why not, and how can we manage this to ensure we are still open to the foreign investment the industries need while also protecting our interests?

Answer:

The foreign investment framework is non-discriminatory and applies to all investors, regardless of which country they are from. The Government reviews foreign investment proposals on a case-by-case basis to ensure they are not contrary to the national interest. This case-by-case approach maximises investment flows, while protecting Australia's interests. The commitment to a fair, welcoming and impartial foreign investment framework is vital to maintaining Australia's reputation as a suitable destination for foreign investment.

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Division: Foreign Investment Division
Topic: Prioritisation of investment by Five Eyes nations
Reference: Written – 9 March 2021, IQ21-000022

Question:

Given trust and security are so important does it make sense to prioritise investments from countries we know we can most trust, like those within the Five Eyes network?

Answer:

See response to IQ21-000021.

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Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

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Division: Foreign Investment Division
Topic: Lack of seed funding and foreign investment implications
Reference: Written – 9 March 2021, IQ21-000023

Question:

Throughout this inquiry we have consistently heard that access to capital and early-stage or seed funding is a major difficulty for start-up businesses.

- a. Given this many Australian businesses are trying to attract investment from overseas. Does this create any complications for Treasury or FIRB?
- b. Will such investments be subject to the FIRB approval process?

Answer:

a. Treasury recognises the importance of access to capital and seed funding for start-up businesses. When assessing proposed foreign investments to ensure they are not contrary to the national interest, Treasury is committed to meeting urgent commercial deadlines wherever possible.

b. Broadly, investments in the fintech industry by private investors will not require screening under the broader national interest test if they are below the monetary screening threshold (\$281 million for most business investments or as high as \$1.216 billion for certain FTA partners). Foreign government investors will continue to be subject to mandatory national interest screening from \$0 for all investments, including in fintech.

The foreign investment reforms that commenced on 1 January 2021 mean an investment in a national security business – including starting such a business – is now subject to mandatory screening under the narrower national security test. Investments not otherwise notified may be 'called in' for review if they raise national security concerns.

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Division: Foreign Investment Division
Topic: National interest matters risks and FinTech's and RegTechs
Reference: Written – 9 March 2021, IQ21-000024

Question:

In its interim report the committee noted: “When considering how to attract investment capital from overseas into Australia's FinTechs and RegTechs, it was noted that national interest matters may need to be considered due to the sensitive nature of these businesses, in terms of both the data they acquire and the services they provide”.

a. Could you expand on this idea? Are these risks real? How can we defend against them?

Answer:

The banking and finance sector ensures the delivery of essential banking and finance services and underpins economic activity. A significant disruption to the finance and banking sector would have a detrimental impact on Australia's national interest.

The framework is designed to facilitate foreign investment while still enabling the Government to protect the national interest.

The foreign investment reforms that commenced on 1 January 2021 mean that an investment that would not otherwise have been screened under the broader national interest test is now subject to mandatory screening under the narrower national security test if it is an investment in a 'national security business', including starting such a business. Investments not otherwise notified may be 'called in' for review if they raise national security concerns.

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Division: Foreign Investment Division
Topic: Five eyes network - prioritisation of foreign investment in Australia
Reference: Written – 9 March 2021, IQ21-000025

Question:

The interim report also notes: “The committee explored with several witnesses at a public hearing whether the government should be prioritising investment from countries aligned with Australia's national interest goals, such as the partners in the Five Eyes intelligence alliance”.

a. Is this a good idea and if not, why not?

Answer:

See response to IQ21-000021.