

Questions on Notice – Canberra hearing 28 February 2020
Austrade

Page 43

CHAIR: You would be aware that 10 years ago there was a review done for the government, the Johnson review, which looked at how competitive Australia was in financial services. A large push in the Johnson review was to have different types of investment vehicles that would be available to attract investment into Australia. We love and have relied upon foreign investment since the First Fleet. A number of the submitters to this review have suggested that the lack of progress on being able to implement especially different collective investment vehicles, such as limited partnerships and corporate structures, is still a significant problem in terms of attracting investment into Australia. That is what has been put to the committee by groups like the Australian Investment Council. How do you respond to that?

Ms West: I will have to take on notice and come back to you about specific details in relation to the various investment vehicles and details around them.

AGENCY RESPONSE

Austrade's role has been to provide support to Australian fund managers seeking to export its services in the form of winning mandates and attracting foreign investment from abroad. A key initiative proposed by the Johnson Report to attract more cross-border investment was the design, development of the Asia Region Funds Passport (ARFP). The ARFP was designed as a mutual recognition scheme amongst 'passport jurisdictions', and essentially act as a 'free trade agreement' for fund managers utilising an agreed Corporate Collective Investment Vehicle (CCIV). Whilst Austrade has received feedback from Australian fund managers that the Withholding Tax Rates are uncompetitive with key jurisdictions, especially Hong Kong and Singapore, both the pilot scheme and current enquiries by foreign institutional investors and fund managers show early promise of success.

Austrade has had limited direct involvement with the different proposed collective investment vehicles.

Questions on Notice – Canberra hearing 28 February 2020
Austrade

Page 44

CHAIR: I am interested in regulatory benchmarking because that is something that we've got to do as part of this review. We need to look at how we stack up as a jurisdiction which is hungry for capital and hungry for good people.

Ms West: Yes.

CHAIR: Is that something that you can provide us?

Ms West: Yes. We can provide you information on the sources of benchmarking that we have available and come back to you.

AGENCY RESPONSE

As Australia's integrated corporate, markets, financial services and consumer credit regulator, the Australian Securities and Investments Commission (ASIC) provides information on regulatory benchmarking through its Innovation Hub
<https://asic.gov.au/for-business/innovation-hub>

To assist international investors, Austrade publishes capability reports on fintech and the wider financial system for Australia which includes information on Australia's regulatory regime including ASIC, APRA, ACCC, RBA and Treasury.

www.austrade.gov.au/International/Buy/Australian-industry-capabilities/Financial-Services

In 2017 KPMG published its inaugural independent fintech benchmarking report. This report takes an in-depth, forward-looking view of fintech activity, practices and strategies at global banks, insurers and asset management companies.

<https://home.kpmg/au/en/home/insights/2017/04/pulse-of-fintech.html>

<https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/10/forging-the-future-global-fintech-study.pdf>

Questions on Notice – Canberra hearing 28 February 2020
Austrade

Page 49

Senator WALSH: Foreign capital. How important is the R&D tax incentive for that? We've had mixed reviews about how it applies to this sector. How important do you think it is to making the case that venture capital should come here? If it's not, is there another government incentive or program that is more important than that?

Ms West: We'll take the R&D tax incentive question on notice, if that's okay.

Ms Heathcote: I can answer one part. I did a short secondment in the US. What was interesting to them was the details. So although the CDR regime is yet to be in effect, it was very exciting for a US person to go to a mandated open data framework across the country. They couldn't get their head around it. That's what excited them about Australia. That is what I saw as the key difference—the nuts and bolts.

Ms West: Additional feedback that we get from fintechs and regtech companies is the importance of access to capital in Australia relative to markets like the US, where there's much larger VC investment in the sector. So that's the main feedback we get.

Senator WALSH: You just offered to take some of that on notice?

Ms West: Yes.

Senator WALSH: We're probably just a bit rushed in trying to answer whether the R&D tax incentive is important to attracting foreign capital. What else is important? You've mentioned consumer data right. From your perspective, what else in terms of the government environment is important? We're going to put that on notice.

Ms West: Yes, sure. That's fine. Thank you.

AGENCY RESPONSE

The R&D Tax incentive is an important feature to both foreign and domestic players operating in Australia. Although this is an attractive feature, international players like fintechs or VC's looking at Australia consider a range of factors when deciding to invest or set up operations including visas, taxation, economic growth, talent, grants, government policy, the ecosystem, political risk and costs. Particularly with Australia, there is interest in our pension scheme, given we have the fourth largest funds under management globally.