



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 257

Testing fintech products and services without holding an AFS or credit licence

August 2017

About this guide

This is a guide for financial technology (fintech) businesses seeking to test products and services before they obtain an Australian financial services (AFS) licence or Australian credit licence (credit licence).

We explain the options available for testing without a licence. This can occur where:

- there are existing statutory exemptions or flexibility in the *Corporations Act 2001* (Corporations Act) and *National Consumer Credit Protection Act 2009* (National Credit Act);
- the business can rely on ASIC's relief under ASIC Corporations (Concept Validation Licensing Exemption) Instrument 2016/1175 or ASIC Credit (Concept Validation Licensing Exemption) Instrument 2016/1176 for testing certain specified products and services; or
- for other services, ASIC grants individual relief.

All of these measures collectively form Australia's 'regulatory sandbox' framework.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This guide was issued in August 2017 and is based on legislation and regulations as at the date of issue.

Previous versions:

- Superseded Regulatory Guide 257, issued December 2016 and updated February 2017

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and National Credit Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

ASIC is committed to facilitating innovation. This is balanced with our commitment to ensuring new products and services are regulated in an appropriate way that promotes investor and financial consumer trust and confidence.

Generally, a business must obtain an Australian financial services (AFS) licence or Australian credit licence (credit licence) from ASIC before it can release a new financial product or service, or engage in a credit activity.

However, in some situations, it is possible to test products and services without holding a licence. This includes where:

- there is an existing exemption in the law (see Section B);
- the business can rely on ASIC's financial technology (fintech) licensing exemption, provided under [ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#) and [ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#), which allow eligible businesses to test certain specified products and services without holding a relevant licence (see Sections C–E); or
- ASIC grants an individual exemption to allow a particular business to test certain products or services (see Section G).

These measures collectively form Australia's regulatory sandbox framework.

ASIC's commitment to innovation

- RG 257.1 We are committed to encouraging and facilitating innovation in financial services and credit where this is likely to produce good outcomes for investors and financial consumers. In seeking to facilitate the development of innovative products and services, we have established an Innovation Hub to help new financial technology (fintech) businesses navigate our regulatory framework.
- RG 257.2 Our Innovation Hub has five elements, each of which are designed to improve ASIC's understanding of the regulatory issues raised by innovative businesses, and assist these businesses to engage with us on regulatory matters. Visit our [Innovation Hub webpages](#) for more information.
- RG 257.3 Our commitment to facilitating innovation is balanced with our commitment to ensuring that:
- (a) the regulation of new products and services is appropriate and effective, and promotes investor and consumer trust and confidence; and
 - (b) markets operate in a fair and efficient way.

ASIC's licensing framework

Financial services

- RG 257.4 Generally, you should hold an Australian financial services (AFS) licence in order to provide financial services in Australia. Alternatively, in some situations, you may provide financial services on behalf of an AFS licensee as their representative: see s911B of the *Corporations Act 2001* (Corporations Act).
- RG 257.5 You provide financial services if you:
- (a) provide financial product advice to clients—for example, giving a recommendation to clients or the general public about which financial product they should purchase;
 - (b) deal in a financial product—for example, buying or selling shares on behalf of a client, issuing a payment product, or issuing interests in a managed investment scheme;
 - (c) make a market for a financial product—for example, if you regularly quote prices at which people can buy or sell financial products;
 - (d) operate a registered managed investment scheme (registered scheme);
 - (e) provide a custodial or depository service—for example, holding a financial product, or a beneficial interest in a financial product, on trust for a client; or
 - (f) provide traditional trustee company services—for example, preparing estate management functions.

Consumer credit

- RG 257.6 Similarly, if you are seeking to engage in credit activities, you should generally hold an Australian credit licence (credit licence), unless you are acting as a representative of a credit licensee.
- RG 257.7 There are two broad categories of credit activities for which you may need to be licensed:
- (a) credit activities relating to the provision of a credit contract or consumer lease, and securing obligations under credit contracts; and
 - (b) credit services, such as assisting a person to enter into a credit contract, suggesting that a person enters into a credit contract, or acting as an intermediary.

Note: See [Regulatory Guide 203](#) *Do I need a credit licence?* (RG 203) for guidance on the consumer credit licensing requirement.

The role of licensing

- RG 257.8 Under the Corporations Act and the *National Consumer Credit Protection Act 2009* (National Credit Act), ASIC assesses applications for AFS and credit licences as part of our role as regulator of the financial services and credit industries.
- RG 257.9 The licensing requirements are an important part of the regulatory framework, consistent with ASIC's strategic priorities of promoting investor and consumer trust and confidence, and ensuring that markets operate in a fair and efficient way. The licensing process helps ensure that financial services and credit businesses are competent and that necessary consumer protections are in place.
- RG 257.10 Licensees must meet a number of general obligations, such as the requirements to:
- (a) do all things necessary to ensure that the services covered by their licence are provided efficiently, honestly and fairly;
 - (b) comply with the relevant laws and conditions on their licences;
 - (c) have adequate dispute resolution and compensation arrangements for retail clients; and
 - (d) take measures to ensure that their representatives are adequately trained, competent and complying with the law.
- RG 257.11 More guidance on the general obligations for licensees is available:
- (a) for AFS licensees—in [Regulatory Guide 104](#) *Licensing: Meeting the general obligations* (RG 104); and
 - (b) for credit licensees—in [Regulatory Guide 205](#) *Credit licensing: General conduct obligations* (RG 205).
- RG 257.12 Licensees and their representatives must also meet specific obligations in the Corporations Act, *Australian Securities and Investments Commission Act 2001* (ASIC Act), National Credit Act and other financial services legislation, such as conduct and disclosure rules.

Barriers to innovation

- RG 257.13 Based on our work through the Innovation Hub, we have identified three interconnected issues that affect new fintech businesses seeking to provide financial services or engage in credit activities. These issues are:
- (a) speed to market;
 - (b) organisational competence; and
 - (c) access to capital.

Speed to market

- RG 257.14 The time and cost of taking a service to market to demonstrate consumer interest and viability can be a significant issue for new businesses with limited resources.
- RG 257.15 As noted above, if you are a new business that wishes to provide financial services or credit, you must generally obtain a licence from ASIC (or enter into an arrangement with a licensee to act as its representative) before you can test whether your products or services are viable or will attract investment. If changes to the business model are required, you may need to spend more time and money before the business can recommence operations—for instance, you may need to apply to vary your licence.

Organisational competence

- RG 257.16 Our experience has been that founders of innovative businesses often have some experience in providing financial services or credit, but may not fully meet the organisational competence standards by demonstrating the specific qualifications, training and experience required, as set out in [Regulatory Guide 105](#) *Licensing: Organisational competence* (RG 105) and/or [Regulatory Guide 206](#) *Credit licensing: Competence and training* (RG 206).
- RG 257.17 As a result, to obtain a licence, you may need to hire a responsible manager before you can commence trading and validate your concept (potentially at significant expense, including equity in the business).

Note: We have also updated our guidance on the organisational competence obligations in RG 105 and RG 206.

Access to capital

- RG 257.18 A separate but related overarching concern is the difficulty new businesses face in attracting investment or finance.
- RG 257.19 This lack of access to capital exacerbates the other two issues—that is:
- (a) speed to market—because it drives new businesses to proceed to market quickly to increase their chances of obtaining initial funding; and
 - (b) organisational competence—because there are limited funds to pay for experienced responsible managers (and incentives to defer compliance costs).

Reducing barriers through product and service testing

RG 257.20 Allowing fintech businesses to test their new products and services before they obtain a licence can help alleviate the barriers to innovation outlined above by:

- (a) allowing concepts to be validated and refined before businesses spend the time and money associated with obtaining a licence; and
- (b) providing increased opportunities for businesses to obtain investment that may assist with meeting the costs of complying with the law.

RG 257.21 We have therefore published this guide to outline the situations in which financial services and credit businesses may test their products and services without holding an AFS or credit licence.

Australia's regulatory sandbox framework

RG 257.22 Australia's 'regulatory sandbox' framework—which allows for fintech products or services to be tested without a licence—has three components:

- (a) existing flexibility in the regulatory framework or exemptions provided by the law which mean that a licence is not required;
- (b) ASIC's 'fintech licensing exemption'—provided under [ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#) and [ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#), which apply to certain products or services—this option is unique to the Australian market; and
- (c) tailored, individual licensing exemptions granted by ASIC to a particular business to facilitate product or service testing—individual exemptions of this nature are similar to the 'regulatory sandbox' frameworks established by financial services regulators in other jurisdictions.

RG 257.23 Section B outlines some of the common situations where an AFS or credit licence is not required. Sections C–E explain the fintech licensing exemption we have given to allow early-stage service testing, when that relief applies and what a business must do to receive the benefit of this relief. Section F provides information about asking for an extension to the exemption.

RG 257.24 If your business is unable to rely on our fintech licensing exemption, you may consider applying for a tailored exemption that is specific to your circumstances. This is known as 'individual relief', and is outlined in more detail in Section G.

RG 257.25 Examples 1 to 4 below outline how the elements of the Australian regulatory sandbox framework apply to some common fintech business models.

Example 1: Digital advice business

A business wishes to test a new digital advice business that provides personal advice to wholesale clients about quoted Australian securities.

Testing options

The business may be eligible to rely on the fintech licensing exemption to test its service. The business would need to comply with the total exposure limit of \$5 million for wholesale clients.

See Sections C–E for more information on the fintech licensing exemption.

Example 2: Marketplace lending platform

A business wishes to test a new marketplace lending platform that allows retail clients to invest in loans made to consumers.

Testing options

Depending on how the platform is structured, the business is likely to need the following licences before it can commence operations:

- an AFS licence with authorisations relevant to managed investment schemes; and
- a credit licence authorising it to provide loans to consumers.

Although the fintech licensing exemption does not apply to these arrangements, the business may consider asking ASIC for an individual exemption to test its product.

Example 3: Payment product

A business wishes to test a new prepaid payment product that allows users to make payments using a chip located in their wristwatch.

Testing options

ASIC has provided a licensing exemption for 'low value' non-cash payment products. As a result, the business will be able to provide this product without a licence if it has a maximum balance of \$1,000, the maximum balance across all products is \$10 million and the business complies with other conditions: see [Regulatory Guide 185](#) *Non-cash payment facilities* (RG 185) for more information on this exemption.

Alternatively, the business may be able to test the payment product under the fintech licensing exemption if:

- it enters into an arrangement with an authorised deposit-taking institution (ADI) to issue the payment product; and
- the maximum balance of the product is \$10,000.

See Sections C–E for more information on the fintech licensing exemption.

Example 4: Digital currency wallet

A business wishes to test a new online 'wallet' that allows users to hold digital currencies and transfer them to other persons.

Testing options

Digital currencies such as bitcoin are not regulated by ASIC under the Corporations Act. This means that the business does not need to hold an AFS licence to provide its wallet (or services related to the wallet).

B Existing flexibility in the law

Key points

There are a number of situations where you do not need to hold an AFS or credit licence to provide financial services or engage in credit activities. These include where:

- you act on behalf of an AFS licensee or credit licensee;
- the services you provide are not subject to a licensing requirement; or
- we have used our relief powers to exempt classes of products or persons from the requirement to hold a licence.

Exemptions available under law

Acting on behalf of an existing licensee

RG 257.26 As an alternative to obtaining a licence, you may be able to provide financial services or engage in credit activities on behalf of an existing AFS or credit licensee as that licensee's representative.

RG 257.27 As a general rule, in that situation:

- (a) the licensee must hold a licence that authorises it to engage in the conduct (e.g. financial services or credit activity) that you seek to undertake on its behalf; and
- (b) unless you are an employee, director or related body corporate of the licensee, the licensee must appoint you as its authorised representative (if it is an AFS licensee) or as its credit representative (if it is a credit licensee)

Note: See s911B of the Corporations Act and s29(3) of the National Credit Act.

RG 257.28 This option is only available if you are providing the services on behalf of the licensee, but not if you are providing the services on your own behalf as a principal.

Note: See [Regulatory Guide 36](#) *Licensing: Financial product advice and dealing* (RG 36) at RG 36.90–RG 36.93 and [RG 203](#) at RG 203.87–RG 203.89 for more guidance on when services are provided on behalf of someone else.

Products and services that do not require a licence

RG 257.29 Some products are not subject to the licensing requirements in the financial services or consumer credit laws. For example:

- (a) a foreign exchange contract that settles immediately is not regulated under the Corporations Act;

- (b) some electronic funds transfers, where there is no standing arrangement between the client and the person sending the funds, are not regulated under the Corporations Act;

Note: See reg 7.1.07G of the Corporations Regulations 2001 (Corporations Regulations).

- (c) payment products where payments can only be made to one person are not regulated under the Corporations Act; and
- (d) credit provided to businesses, or for business purposes, is not regulated under the National Credit Act.

RG 257.30 As a result, a business that wishes to provide these products, or services relating to these products, may not need a licence from ASIC. However, the consumer protection laws in Div 2 of Pt 2 of the ASIC Act still apply to these products and services.

Exemptions provided by ASIC

RG 257.31 We have statutory powers to exempt a person (or class of persons) from:

- (a) the requirement to hold an AFS licence under the Corporations Act; or
- (b) the requirement to hold a credit licence under the National Credit Act.

RG 257.32 We also have powers to:

- (a) provide exemptions from the licensing requirements for products or services (or classes of products or services); and
- (b) modify some of the laws we administer.

RG 257.33 We refer to these powers as ‘relief powers’. We have used our relief powers to provide a number of exemptions from the requirement to hold a licence in relation to certain types or classes of products and services. This is because, depending on the nature, scale and complexity of the products and services offered, it is not always appropriate for a business to be required to obtain a licence and meet all of the usual regulatory obligations.

RG 257.34 Our policy on granting relief is set out in [Regulatory Guide 51 Applications for relief \(RG 51\)](#).

RG 257.35 Examples of areas where we have provided relief from the requirement to hold a licence include:

- (a) services in relation to ‘low value’ non-cash payment products, where the maximum balance on any one product is \$1,000 and the maximum aggregate balance on all facilities in the class is \$10 million;

Note: See [RG 185](#) and [ASIC Corporations \(Non-cash Payment Facilities\) Instrument 2016/211](#).

- (b) some services in relation to mortgage offset accounts (see [Class Order \[CO 03/1048\]](#) *Mortgage offset accounts*); and
- (c) the provision of generic financial calculators.

Note: See Section D of [Regulatory Guide 167](#) *Licensing: Discretionary powers* (RG 167) and [ASIC Corporations \(Generic Calculators\) Instrument 2016/207](#).

RG 257.36 Many of these exemptions are subject to certain conditions which are intended to promote good outcomes and reduce the risk of consumer harm. In most cases, the relief is only available if the business seeking to rely on it complies with all of the relevant conditions.

RG 257.37 [ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#) and [ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#) are examples of instruments that apply to a class of persons. This relief is explained in detail in Sections C–E. Section G provides more information about the individual relief ASIC may grant for product or service testing.

Other ASIC guidance

RG 257.38 More information on other exemptions is available in our existing guidance. We encourage you to review:

- (a) Section D of [Regulatory Guide 121](#) *Doing financial services business in Australia* (RG 121);
- (b) Section E of [RG 36](#); and
- (c) Section D of [RG 203](#).

C ASIC's fintech licensing exemption for service testing

Key points

We have provided conditional relief to allow fintech businesses to test certain products and services for 12 months without holding a licence under either the Corporations Act or the National Credit Act.

This licensing exemption—provided under [ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#) and [ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#)—is available to businesses providing certain financial services or engaging in certain credit activities that would usually require an AFS or credit licence.

Our relief is intended to assist new businesses to test their services in an environment with a reduced regulatory burden, thereby addressing some of the key barriers to innovation that we have identified.

We will review the licensing exemption within 12 to 18 months of operation to see if it should be broadened or changed in any other way.

What is the fintech licensing exemption?

RG 257.39 In addition to the options outlined in Section B, we have made ASIC Corporations (Concept Validation Licensing Exemption) Instrument 2016/1175 and ASIC Credit (Concept Validation Licensing Exemption) Instrument 2016/1176, which allow eligible businesses to test certain products and services for 12 months without needing to obtain an AFS licence or credit licence, respectively. Collectively, we refer to these instruments as the 'fintech licensing exemption'.

RG 257.40 This fintech licensing exemption applies to certain specified activities: see RG 257.56. Additionally, it only applies where the business complies with certain conditions: see Section D. These conditions are intended to minimise the risks to consumers.

Relying on the fintech licensing exemption

RG 257.41 You do not need to apply to obtain the benefit of the fintech licensing exemption. If you meet the eligibility requirements and follow the conditions set out in the relevant instrument, you are legally entitled to rely on the exemption for 12 months.

RG 257.42 However, you must notify us before you start relying on the fintech licensing exemption, and provide certain information to us: see RG 257.111–RG 257.116. See Section E for more information about relying on the exemption.

- RG 257.43 It is important to note that relying on the fintech licensing exemption does not mean you have received a licence or authorisation from ASIC to provide financial services or credit. Accordingly, you must not suggest to consumers that your business or your business model has been licensed, authorised or approved by ASIC.
- RG 257.44 You must advise your clients and potential clients that you have notified ASIC that you are relying on the fintech licensing exemption, and that you are operating without an AFS or credit licence. See RG 257.87–RG 257.95 for more information about the disclosure you must make to consumers.

Why have we provided the licensing exemption?

- RG 257.45 The purpose of the fintech licensing exemption is to facilitate innovation in financial services and credit by allowing businesses to test certain product and service offerings without holding a licence for a period of 12 months (testing period).
- RG 257.46 The fintech licensing exemption allows concept validation of a business model without holding a licence in circumstances where:
- (a) many fundamental consumer protections still apply in some form; and
 - (b) the products and services being tested are limited in scope to minimise the risk of loss, particularly where the business ceases operations following the end of the testing period.
- RG 257.47 We recognise that any new business or financial innovation may bring both opportunities and risks. As such, in seeking to facilitate innovation, we have been guided by ASIC's broader strategic objectives of:
- (a) promoting investor and consumer trust and confidence; and
 - (b) ensuring fair and efficient markets.
- RG 257.48 Poor outcomes in the financial services and credit industries can erode consumer trust and confidence. If this occurs, investors, consumers and participants in financial services or credit are less likely to fully participate in the sector, and are less likely to support innovative businesses. Accordingly, it is important to ensure that the fintech licensing exemption operates in a way that balances facilitating innovation with promoting good outcomes for consumers.
- RG 257.49 The fintech licensing exemption is designed to allow fintech businesses to:
- (a) validate the concepts and viability of their services in an environment with reduced regulatory obligations;
 - (b) gain a better understanding of the nature of the services they wish to provide, and what format of the products or services is most likely to be commercially viable;

- (c) make an informed decision about whether they are ready to apply for an AFS or credit licence, and what authorisations they require for the particular products or services they want to offer; and
- (d) better understand how they will comply with the rules that apply to regulated businesses if they obtain an AFS or credit licence.

RG 257.50 We expect that fintech businesses will find it easier to navigate the financial services and credit licensing application process, and submit more complete and accurate applications following a period of service testing.

Who can rely on the licensing exemption?

Eligible persons

RG 257.51 To be eligible to rely on the fintech licensing exemption to provide financial services, the person seeking to provide the service must not:

- (a) be banned from providing financial services;
- (b) already hold an AFS licence;
- (c) already be an authorised representative of an AFS licensee that is authorised to provide the services covered by the exemption; or
- (d) be a related body corporate of an AFS licensee (see s50 of the Corporations Act).

RG 257.52 Similarly, to be eligible to rely on the fintech licensing exemption to engage in credit activities, the person seeking to engage in the activities must not:

- (a) be banned from engaging in credit activities;
- (b) already hold a credit licence;
- (c) already be a credit representative of a credit licensee; or
- (d) be a related body corporate of a credit licensee (see s50 of the Corporations Act).

RG 257.53 Persons not in this jurisdiction may rely on the exemption if they are a foreign company registered under Pt 5B.2 of the Corporations Act.

Our right to refuse or withdraw relief

RG 257.54 We may give a person written notice that they cannot rely on the fintech licensing exemption. We may do this at any time for a number of reasons, including:

- (a) concerns about poor conduct while relying on the exemption;
- (b) failure to meet one or more of the conditions of relief; or
- (c) previous misconduct.

- RG 257.55 As explained at RG 257.20–RG 257.24, the purpose of the fintech licensing exemption is to address issues faced by new, innovative businesses. We reserve our right to provide written notices excluding persons from the fintech licensing exemption where we consider their businesses are not innovative and/or do not use technology when providing financial services or credit.

What products and services can be tested?

- RG 257.56 The fintech licensing exemption applies to specified services. It does not apply to all financial services or credit activities.

Financial services

- RG 257.57 Under the relief, you may provide the following services without needing to hold an AFS licence:

- (a) giving financial product advice in relation to the products listed at RG 257.58; and
- (b) dealing in the products listed at RG 257.58, other than by issuing those products.

- RG 257.58 The fintech licensing exemption for advice and dealing (other than acting as a product issuer) applies in relation to:

- (a) listed or quoted Australian securities;
- (b) debentures, stocks or bonds issued or proposed to be issued by the Australian Government;

Note: [ASIC Corporations \(Amendment\) Instrument 2016/1246](#) amended ASIC Corporations (Concept Validation Licensing Exemption) Instrument 2016/1175 to include the products set out in RG 257.58(b).

- (c) simple managed investment schemes;
- (d) deposit products;
- (e) some kinds of general insurance products; and
- (f) payment products issued by ADIs.

- RG 257.59 The fintech licensing exemption is not available for issuing financial products.

- RG 257.60 More detail about the scope of each product and service eligible for the exemption is provided in Table 1 and Table 2. If you intend to conduct a concept validation test for other products or services, individual relief may be required: see Section G.

Credit activities

RG 257.61 The fintech licensing exemption allows you to provide credit services in relation to certain types of credit contracts without needing to hold a credit licence.

Note: The exemption does not allow you to act as a credit provider.

RG 257.62 The exemption allows you to act as an intermediary or provide credit assistance in relation to a credit contract that:

- (a) has a maximum amount of credit of no more than \$25,000;
- (b) has a maximum annual cost rate of 24%;
- (c) is not subject to tailored responsible lending obligations (i.e. is not a reverse mortgage or a small amount credit contract); and
- (d) is not a consumer lease.

RG 257.63 The fintech licensing exemption is not available for providing credit.

RG 257.64 More detail about the scope of each product and service eligible for the exemption is provided in Table 1 and Table 2. If you intend to do a concept validation test for other products or services, individual relief may be required: see Section G.

Table 1: Scope of exemption—Financial services and credit activities

Financial services	The exemption applies to: <ul style="list-style-type: none"> • providing general advice and personal advice; and • dealing in a financial product, except by issuing a financial product.
Credit activities	The exemption applies to credit services (credit assistance and acting as an intermediary).

Table 2: Scope of exemption—Financial products and credit contracts

Product type	Scope of the exemption and exclusions
Listed or quoted Australian securities	All listed or quoted Australian securities.
Other securities, bonds or debentures	All debentures, stocks or bonds issued or proposed to be issued by the Australian Government.
Simple managed investment schemes	A simple managed investment scheme is a registered scheme that invests at least 80% of its assets in a bank account where funds can be withdrawn within three months, or in arrangements where the investments can be realised at market value within 10 days: see reg 1.0.2 of the Corporations Regulations.
Deposit products	All deposit products.

Product type	Scope of the exemption and exclusions
Insurance products	<p>Relief applies to:</p> <ul style="list-style-type: none"> • home contents insurance products (e.g. household goods and jewellery); and • personal and domestic insurance products (e.g. mobile phone insurance). <p>The exemption does not apply to:</p> <ul style="list-style-type: none"> • home building insurance; • motor vehicle insurance; • travel insurance; • consumer credit insurance; • sickness and accident insurance; and • life insurance.
Payment products	Relief is limited to advising and dealing in products issued by ADIs.
Credit contracts	<p>The exemption does not apply to credit contracts that are:</p> <ul style="list-style-type: none"> • secured over residential property; • subject to additional responsible lending obligations under the National Credit Act (e.g. reverse mortgages and small amount credit contracts); or • consumer leases.

Why are other products and services excluded from the fintech licensing exemption?

- RG 257.65 ASIC's licensing processes are a fundamental part of the financial services and credit regimes. Allowing services to be provided without a licence can increase the risk of poor outcomes for consumers.
- RG 257.66 The fintech licensing exemption is focused on services provided by intermediaries, such as advising and dealing in certain products. This helps to ensure that consumers receive all of the usual protections from the persons who owe them ongoing obligations (i.e. the product issuer or credit provider). The fintech licensing exemption is not available for issuing financial products or providing credit.
- RG 257.67 The industry-wide nature of this exemption means that we do not review the individual circumstances of each business that seeks to test products and services under the relief. Although this provides certainty and increased speed to market for the testing business, it means that the exemption is limited to situations that do not require individual review by ASIC.
- RG 257.68 We consider that some products and services are not suitable for unlicensed testing without an individual review of all of the circumstances. For that reason, the fintech licensing exemption does not apply to:
- complex products (e.g. derivatives);
 - illiquid products or arrangements that cannot be easily reversed;

- (c) products with a long-term focus (e.g. superannuation and life insurance); and
- (d) products that have previously been targeted at vulnerable consumers (e.g. consumer leases).

Providing services that are not covered by the fintech licensing exemption

RG 257.69 You cannot rely on our fintech licensing exemption to test any service that is not listed in Table 1, or to test any service relating to a product not listed as within the scope of the exemption in Table 2.

RG 257.70 If you want to provide products and services that are not covered by the fintech licensing exemption, as well as offering services that are covered by the exemption, you can do one of the following:

- (a) rely on another exemption (see Section B);
- (b) hold an AFS or credit licence with appropriate authorisations covering all of the services you intend to provide; or
- (c) obtain individual relief (see Section G and [RG 51](#)).

How long is the period for testing services?

RG 257.71 If you rely on the fintech licensing exemption, you do not need to hold a licence for one 12-month period (testing period). The testing period commences 14 days after you advise us that you intend to rely on the exemption (unless we take further action). You will be notified in writing of the date on which your testing period commences.

RG 257.72 We consider 12 months is sufficient time for you to be able to test the viability of your business model or idea and, at the same time, begin the process of applying for an AFS or credit licence: see RG 257.76. We consider that a 12-month testing period balances addressing the barriers to innovation that we have identified with maintaining the integrity of the licensing frameworks established by Parliament.

What happens at the end of the testing period?

RG 257.73 After the 12-month testing period ends, you will need to cease operations unless:

- (a) you have been granted an AFS or credit licence;
- (b) you have entered into an arrangement to provide services on behalf of an AFS or credit licensee (see RG 257.26–RG 257.28); or
- (c) we have given you individual relief extending your testing period.

RG 257.74 After the end of the testing period, you will no longer be able to offer financial services or engage in credit activities unless you comply with the law like other businesses. This includes financial services or credit activities you provide to your current clients.

- RG 257.75 You should plan ahead and have processes to manage the end of the testing period, if this becomes necessary. For example, if you are approaching the end of your testing period, and we have not granted you a licence or individual relief, you should ensure that you will cease operations by the end of the testing period.

Example 5: Preparing for the end of the testing period

Scenario

Next Generation Financial Pty Ltd (NGF) has been relying on the fintech licensing exemption to test its innovative financial service with clients for the past 10 months.

NGF lodges an application for an AFS licence with ASIC in the 10th month of its testing period. NGF is aware that, if an AFS licence is not granted before the end of the testing period, it may have to cease operations until it has been granted a licence by ASIC.

NGF has prepared measures in case it has to cease operations. In the 11th month of its testing period, NGF amends its website by removing the application landing page and publishing a notice to advise that NGF will not be taking on new clients until it obtains an AFS licence.

NGF also contacts existing clients advising them that NGF will be ceasing operations until a licence is granted. NGF gives its clients an information sheet providing appropriate contact information for client inquiries and the details of the ASIC-approved external dispute resolution scheme they can contact in the event of a dispute.

Commentary

NGF was well prepared for the end of the testing period. NGF was granted a licence by ASIC shortly after the end of its testing period and it then recommenced operations.

Applying for a licence

- RG 257.76 Applying for a licence early during the testing period can greatly reduce the possibility that you will need to cease operations.

Note: Guidance on applying for an AFS licence is available in [Regulatory Guides 1–3 AFS Licensing Kit](#) (RG 1–RG 3). Guidance on applying for a credit licence is available in [Regulatory Guide 204 Applying for and varying a credit licence](#) (RG 204).

- RG 257.77 We encourage you to seek informal assistance through our Innovation Hub before you begin testing your product or service, or applying for an AFS or credit licence. Our experience suggests that innovative businesses that seek informal assistance before lodging a licence application often have their licences granted in a far shorter timeframe than those who do not approach our Innovation Hub.

Note: Please review the [eligibility criteria for informal assistance](#) through our Innovation Hub.

D Conditions applying to the fintech licensing exemption

Key points

When testing businesses are operating a financial services or credit business under the fintech licensing exemption, some conditions are necessary to reduce the risk of poor consumer outcomes and to maintain consumer trust and confidence.

Rationale for the conditions of relief

- RG 257.78 The fintech licensing exemption is subject to a number of conditions that you must meet to be able to rely on the relief. These are referred to as the conditions of relief, and are summarised in Table 3.
- RG 257.79 To help reduce the risk of poor consumer outcomes during unlicensed product and service testing, the conditions of relief are designed to:
- (a) limit the risk of poor conduct or outcomes affecting a large number of clients;
 - (b) assist consumers to understand the products and services being tested; and
 - (c) ensure that recourse is available in the event of a dispute.
- RG 257.80 We also consider that the conditions of relief will increase consumer confidence in using the testing services.
- RG 257.81 The conditions of relief mirror many of the obligations that apply to AFS licensees and credit licensees. Establishing these practices upfront will help testing businesses to prepare for the transition to licensed operation, and are likely to help speed up the licence application process.

What are the conditions of relief?

Client and exposure limits

- RG 257.82 The fintech licensing exemption is subject to a limit on the number of retail clients that a testing business can engage and the exposure of each client. Testing businesses relying on the exemption can provide services to up to 100 retail clients.

- RG 257.83 The fintech licensing exemption is only available if:
- (a) the exposure of each retail client to deposit products, simple managed investment schemes, securities, government bonds and payment products in relation to which testing services are provided does not exceed \$10,000;
 - (b) the amount of credit under a credit contract in relation to which services are provided does not exceed \$25,000; and
 - (c) the sum insured under a general insurance contract in relation to which testing services are provided does not exceed \$50,000.
- RG 257.84 There are no individual exposure or client limits for wholesale or sophisticated clients. However, to avoid systemic risk, the total maximum exposure of all clients taking part in the testing must not exceed \$5 million.
- RG 257.85 We consider that the client and exposure limits imposed provide a balance between:
- (a) the benefits associated with allowing new businesses to develop their concept in an environment of reduced regulatory obligations;
 - (b) the risk of poor conduct or outcomes affecting a large number of consumers; and
 - (c) the risk of poor conduct or outcomes significantly affecting any one consumer.
- RG 257.86 Information on applying for an extension to the number of clients that can be dealt with under the fintech licensing exemption is available in Section F.

Consumer protection

- RG 257.87 It is important that consumers know who they are dealing with and understand the nature of the services being tested. Under the fintech licensing exemption, you will need to comply with key consumer protection provisions in the financial services and credit laws.
- RG 257.88 You will also need to tell your clients that:
- (a) you do not hold a licence;
 - (b) the service you will provide is being tested under the fintech licensing exemption; and
 - (c) some of the normal protections associated with receiving services from a licensee will not apply.

Financial services

- RG 257.89 As a testing business, before you provide a financial service to a retail client, you will need to give that client some of the information normally contained in a Financial Services Guide. Specifically, you will need to provide:

- (a) your name (i.e. the name of the person providing the service) and contact details;
- (b) information about the kinds of services you provide, and the kinds of products those services relate to;
- (c) information about any remuneration (including commission) you receive in relation to those services;
- (d) information about any relationships between you and the issuers of any financial products that may influence the services you provide; and
- (e) information about your dispute resolution systems.

RG 257.90 Where you are providing personal advice to retail clients, you will also need to comply with:

- (a) the best interests duty and related conduct obligations in Div 2 of Pt 7.7A of the Corporations Act (see Section E of [Regulatory Guide 175 Licensing: Financial product advisers—Conduct and disclosure](#) (RG 175)); and
- (b) the disclosure obligations in Div 3 of Pt 7.7 of the Corporations Act, which are exemptions to the Statement of Advice obligations (see RG 175.146 for a general description of the disclosure requirements).

RG 257.91 If you provide personal advice to retail clients that recommends they acquire a financial product, and a current Product Disclosure Statement (PDS) about that product exists, you will also need to give the client a copy of the PDS at or before the time you provide the advice: see [ASIC Corporations \(Amendment\) Instrument 2017/580](#).

Credit

RG 257.92 As a testing business, before you provide credit assistance to a consumer, you will need to provide that consumer with:

- (a) the information normally contained in a credit guide (other than a credit licence number);
- (b) a quote; and
- (c) a proposal document.

Note: See [RG 203](#) for guidance on the term ‘credit assistance’

RG 257.93 Detailed information about what needs to be contained in these documents is available in [Information Sheet 146 Responsible lending disclosure obligations—Overview for credit licensees and representatives](#) (INFO 146).

RG 257.94 If you provide credit assistance, you will also need to comply with the responsible lending obligations. The primary requirement is to conduct a preliminary assessment that the credit contract is ‘not unsuitable’ for the consumer. The credit contract will be unsuitable if:

- (a) the contract does not meet the consumer’s requirements and objectives; or

- (b) the consumer will be unable to meet their payment obligations, either at all or only with substantial hardship.

RG 257.95 Detailed information about these obligations is available in [Regulatory Guide 209](#) *Credit licensing: Responsible lending conduct* (RG 209).

Adequate compensation

RG 257.96 As a condition of the fintech licensing exemption, you must have arrangements in place for compensating your clients for losses or damage they suffer if you fail to comply with your obligations or engage in misconduct. These are known as ‘adequate compensation arrangements’.

RG 257.97 Many AFS licensees and credit licensees are also required to maintain adequate compensation arrangements as a condition of their licence. Most comply with this obligation by holding professional indemnity (PI) insurance cover.

RG 257.98 Having in place adequate compensation arrangements represents an important form of protection for both you and your clients. Adequate compensation arrangements reduce the risk that clients will go uncompensated if you have insufficient funds to meet claims made against you. However, it is important for both you and your clients to understand the limitations of PI insurance.

RG 257.99 PI insurance is not designed to protect clients directly, and is not a guarantee that compensation will be paid. PI insurance usually will not cover product failures or general losses from investments, or where the return on a product or service has not met expectations. PI insurance is designed to protect the insured (i.e. the testing business) against the risk of financial losses arising from poor-quality services (e.g. poor advice or execution of services) and other misconduct.

RG 257.100 Key requirements for compensation arrangements during the testing period are:

- (a) *minimum requirement*: a PI insurance policy must have a limit of at least \$1 million for any one claim and for aggregated claims; and
- (b) *‘run-off’ cover*: you are expected to take reasonable steps to obtain run-off cover for a period of 12 months.

RG 257.101 When selecting a PI insurance policy, it is important to ensure you have sufficient resources to pay the excess under the policy. You must also consider whether the policy provides for an aggregation of claims, which may be particularly relevant for heavily automated services. Inappropriate PI insurance could fail to protect both you and your clients.

- RG 257.102 Further information about adequate compensation arrangements maintained by licensees can be found in [Regulatory Guide 126 Compensation and insurance arrangements for AFS licensees](#) (RG 126) and [Regulatory Guide 210 Compensation and insurance arrangements for credit licensees](#) (RG 210).

Dispute resolution

- RG 257.103 To rely on the fintech licensing exemption, you must also have in place a dispute resolution system that consists of:
- (a) internal dispute resolution (IDR) procedures that comply with the standards and requirements made or approved by ASIC; and
 - (b) membership of one or more ASIC-approved external dispute resolution (EDR) schemes.
- RG 257.104 This is also a key requirement for both AFS licensees and credit licensees. Establishing IDR procedures and maintaining EDR membership during the testing period will assist you in preparing for becoming licensed after testing is complete.
- RG 257.105 Access to EDR is an important consumer protection in the financial services and credit industries. EDR schemes provide an important avenue for consumers and investors to resolve complaints and disputes in a quicker and less costly forum than the formal legal system. These arrangements are especially important in circumstances where an unlicensed business is seeking to test its services for a limited period.
- RG 257.106 You are required to maintain EDR membership for:
- (a) the duration of your testing period (including any extensions); and
 - (b) a run-off period of an additional 12 months.
- RG 257.107 Run-off cover gives consumers a way to continue to have their disputes dealt with following the end of the 12-month testing period. Run-off cover is particularly important if:
- (a) you are required to cease operations between the end of your testing period and the date you are granted a licence by ASIC; or
 - (b) you choose not to apply for an AFS or credit licence.
- RG 257.108 Failing to maintain EDR membership for the required periods, or failing to comply with a determination by an EDR scheme, is a breach of the conditions of the fintech licensing exemption. We will take such a breach into account when assessing a subsequent application for a licence, or application for relief, made by the testing business or a person related to the business.

RG 257.109 When notifying us of your intention to rely on the fintech licensing exemption, you must provide us with:

- (a) proof of your membership of an ASIC-approved EDR scheme, including proof of the date that you became a member; and
- (b) details of the position(s) within your business that hold primary responsibility for dealing with the EDR scheme in respect of complaints.

Note: See Section E for more information about how to rely on the fintech licensing exemption.

RG 257.110 More information about maintaining EDR membership can be found in [Regulatory Guide 165](#) *Licensing: Internal and external dispute resolution* (RG 165).

Summary of the conditions of relief

Table 3: Conditions of relief

Conditions	Details
Client limits	<p>Testing businesses relying on the fintech licensing exemption can provide services to up to 100 retail clients.</p> <p>There is no client limit for wholesale clients.</p>
Exposure limits	<p>The fintech licensing exemption is available if:</p> <ul style="list-style-type: none"> the exposure of each retail client to deposit products, simple managed investment schemes, securities, government bonds and payment products in relation to which testing services are provided does not exceed \$10,000; the amount of credit under a credit contract in relation to which services are provided does not exceed \$25,000; and the sum insured under a general insurance contract in relation to which testing services are provided does not exceed \$50,000. <p>There is no individual exposure limit for wholesale clients.</p> <p>The total maximum exposure for all clients is \$5 million during the testing period.</p>
Consumer protection measures	<p>Testing businesses providing financial services must give their retail clients some of the information normally contained in a Financial Services Guide, such as information about their services, remuneration and dispute resolution procedures.</p> <p>Testing businesses providing personal financial advice must also comply with certain disclosure requirements and with the best interests duty.</p> <p>Testing businesses providing credit assistance must give their clients the information normally contained in a credit guide, such as information about their services, remuneration and dispute resolution procedures. They must also comply with the 'responsible lending' obligations. Detailed guidance on these obligations is available in RG 209 and INFO 146.</p>

Conditions	Details
Adequate compensation arrangements	<p>Testing businesses must have in place adequate compensation arrangements.</p> <p>Key requirements for compensation arrangements during the testing period are:</p> <ul style="list-style-type: none">• <i>minimum requirement</i>: a PI insurance policy must have a limit of at least \$1 million for any one claim and for aggregated claims; and• <i>run-off cover</i>: you are expected to take reasonable steps to obtain run-off cover for a period of 12 months.
Dispute resolution	<p>Testing businesses must have in place a dispute resolution system that consists of:</p> <ul style="list-style-type: none">• IDR procedures that comply with the standards and requirements made or approved by ASIC; and• membership of one or more ASIC-approved EDR schemes. <p>The testing business is required to maintain EDR membership for:</p> <ul style="list-style-type: none">• the duration of the testing period (including any extensions); and• a run-off period of an additional 12 months.

E How to rely on the fintech licensing exemption

Key points

Before you can rely on the fintech licensing exemption, you must provide ASIC with written notice of your intention to rely on the relief, and give us certain information.

While there is no prescribed notification form, we require you to provide certain information as a minimum before you are able to rely on the relief.

Some of the information you provide will be published on ASIC's website for transparency purposes.

Notification requirements

- RG 257.111 Before you can rely on the fintech licensing exemption, you must provide ASIC with written notice of your intention to rely on the relief, and supply us with certain information. You do not have to 'apply' to rely on the fintech licensing exemption.
- RG 257.112 There is no prescribed notification form; however, the notification must be lodged in writing and addressed to innovationhub@asic.gov.au.
- RG 257.113 You must include the following information about the business:
- (a) the name of the legal person seeking to rely on the exemption;
 - (b) your Australian Business Number (ABN), Australian Company Number (ACN) or Australian Registered Body Number (ARBN) (if applicable);
 - (c) whether you are a foreign company carrying on a business in Australia and whether you have registered under Pt 5B.2 of the Corporations Act;
 - (d) a key contact person and contact number;
 - (e) the principal business address;
 - (f) details of the website (if applicable);
 - (g) the names and dates of birth of all directors and controllers;
 - (h) whether or not there are any experts assisting you (e.g. consultants) and, if so, who they are; and
 - (i) a short description of your innovation and business model, with a focus on the services that are provided to clients and the process for providing those services.
- RG 257.114 In addition, you must provide:
- (a) a certified copy of a bankruptcy check for each director and controller in the business;

- (b) a certified copy of a national criminal history for each director and controller in the business;
- (c) confirmation of EDR membership; and
- (d) confirmation of adequate compensation arrangements (e.g. PI insurance arrangements).

RG 257.115 The national criminal history checks and bankruptcy checks you provide to us must be no more than 12 months old. You should send us scanned copies of the national criminal history checks and the bankruptcy checks and retain the originals.

RG 257.116 You can obtain national criminal history checks from the Australian Federal Police, state and territory police services, and brokers accredited by the Australian Criminal Intelligence Commission. Bankruptcy checks are available from the Australian Financial Security Authority. More information on obtaining these checks is available in [RG 2](#).

RG 257.117 Your testing period will begin 14 days after you notify us of your intention to rely on the exemption. We will notify you in writing of the date on which your testing period commences.

What we will do with your information

RG 257.118 While we will not undertake a detailed assessment of the information you provide (as we would for an application for relief or application for a licence), we will check that all the required information has been provided before you are eligible to rely on the fintech licensing exemption.

RG 257.119 Some of the information you provide will be published on our website. This will include basic information about the testing business and contact information. We will also publish information about each business's testing period.

RG 257.120 The information we publish will allow consumers and industry to confirm whether a particular business is validly operating under the exemption and for what period it can provide services without a licence.

Reporting to ASIC after testing is complete

RG 257.121 We ask that testing businesses that rely on the fintech licensing exemption provide us with a short report within two months after the end of their testing period.

RG 257.122 The report should set out details of the experience of the testing business during the testing period, and provide information such as:

- (a) the number of clients during the testing period;

- (b) general information about the client demographic (e.g. age and location);
- (c) the number and nature of complaints received and handled;
- (d) the number and nature of complaints escalated to EDR;
- (e) a description of the issues identified or faced during the testing period and how those issues were resolved;
- (f) the regulatory requirements identified as barriers to viability; and
- (g) revenue and expense information (e.g. financial report information).

RG 257.123 The details provided as part of your report will not be released publicly—unless it is necessary or in the public interest for us to do so. The information provided will assist us in reviewing the operation and effectiveness of the fintech licensing exemption, and in identifying key risks or issues faced by testing businesses and consumers.

F Applying to extend the testing period or vary the conditions of relief

Key points

We will accept and consider applications to extend the testing period or increase the client limits (e.g. to allow you to provide services to up to 200 retail clients). We will also consider applications for variations to other conditions of the relief.

Applications for extensions or variations are requests for individual relief and will be assessed according to our policy outlined in [RG 51](#) (see also Section G).

We have outlined some additional factors at RG 257.128–RG 257.130 that we will consider when assessing applications to extend the testing period or increase the client limits.

Extensions to the testing period or increases in the client limits may be provided in exceptional cases.

Applying for an extension or variation

RG 257.124 We will accept and consider applications for:

- (a) an extension to the testing period (e.g. to allow you to test your services for an additional 12 months);
- (b) an increase in the client limits (e.g. to allow you to provide services to up to 200 retail clients); or
- (c) variations to other conditions of the relief.

RG 257.125 If you apply for an extension or variation to the conditions of relief for the fintech licensing exemption, we will treat this as an application for individual relief. This means we will assess your application according to our policy in RG 51: see Section G.

RG 257.126 If you wish to apply to extend the testing period or increase the client limits, we have provided guidance on the factors we will consider: see RG 257.128–RG 257.130.

RG 257.127 If you wish to apply for a variation to other conditions of the relief, such as the requirement to maintain adequate compensation arrangements, you should consider the information we have provided on how to make an application for individual relief in Section G.

Relevant factors for extending the testing period or increasing client limits

- RG 257.128 We generally consider that a 12-month testing period and the client limits for the fintech licensing exemption are appropriate. However, extensions or variations may be provided in exceptional cases.
- RG 257.129 Factors we will consider when assessing your application to extend the testing period or increase the client limits include:
- (a) the nature of the extension or variation you are seeking;
 - (b) the reasons you are seeking an extension to the testing period or an increase in the client limits;
 - (c) how the extension you seek (e.g. additional testing time or testing with additional clients) will allow you to validate your business model, and not just extend the scope of your operations;
 - (d) the date at which your testing period began;
 - (e) whether you have applied for a licence and, if so, the date on which you submitted your application; and
 - (f) your experience to date in providing services during your testing period, including whether there have been any material disputes with consumers or reports of misconduct to ASIC; and
 - (g) the normal matters we consider when deciding whether or not to grant an exemption—these are outlined at RG 51.57–RG 51.62.
- RG 257.130 We will also look favourably on you lodging a licence application early—for example, after six months of unlicensed testing. We will be less likely to grant an extension if it appears that you have had sufficient time and it was reasonable for you to begin the process of applying for a licence but did not do so.

How to apply for an extension or variation

- RG 257.131 There is no prescribed form to apply for an extension or variation of the conditions of relief for the fintech licensing exemption.
- RG 257.132 To submit an application for an extension, you should:
- (a) send an electronic copy to innovationhub@asic.gov.au and applications@asic.gov.au;
 - (b) include the prescribed fee(s) (see RG 257.142–RG 257.144); and
 - (c) ensure that your application for an extension addresses the matters outlined in RG 257.129 and, where applicable, the criteria in [RG 51](#).

G Individual relief

Key points

If you wish to test a product or service without a licence but are not able to rely on the existing flexibility in the law or ASIC's fintech licensing exemption, you can apply to us for individual relief.

You can also apply for individual relief if you wish to extend or vary the conditions of relief for the fintech licensing exemption.

Guidance on when we will grant relief from the requirement to hold a licence (including to allow product or service testing) is available in [RG 51](#) and of [Regulatory Guide 167](#) *Licensing: Discretionary powers* (RG 167).

ASIC's relief powers

- RG 257.133 We have statutory powers to exempt a person from:
- (a) the requirement to hold an AFS licence under the Corporations Act; or
 - (b) the requirement to hold a credit licence under the National Credit Act.
- RG 257.134 We have the ability to use these powers in most situations. An example of our use of these powers is the fintech licensing exemption discussed in Sections C–E.
- RG 257.135 We have published guidance on when we will use our exemption powers (commonly called 'relief powers'), as well as the types of factors we consider when deciding whether or not to grant relief. This guidance is available in RG 51. We also list in RG 167 some of the factors that may make it more likely that we will grant an exemption from a requirement to hold a licence.

Individual relief for product or service testing

- RG 257.136 If you wish to test a product and service without a licence but are not able to rely on the existing flexibility in the law or ASIC's fintech licensing exemption, you can apply to us for individual relief.
- RG 257.137 We will accept and consider applications for individual relief for product and service testing beyond the scope of the fintech licensing exemption. We will make a decision on these applications based on all of the relevant circumstances and consistent with our policies on relief.

Before you apply for relief

- RG 257.138 Before you apply for individual relief for product or service testing, we strongly encourage you to review our published guidance in [RG 51](#) and [RG 167](#), and to consider the reasons you may put forward to ASIC in support of your application. Although reducing the cost of complying with the law is one factor we consider when deciding whether to grant relief, there are other factors we consider such as risks to consumers and the integrity and intention of the regulatory framework put in place by Parliament.
- RG 257.139 We also encourage new, innovative businesses to approach us through the Innovation Hub to discuss their proposal before they apply for relief.
- RG 257.140 If you are considering applying for individual relief, you should allow sufficient time for these pre-application steps, as well as sufficient time for ASIC to make a decision on your application once it is lodged. Relief applications can involve complex legal or policy questions that take us some time to resolve.

How to apply for individual relief

- RG 101.141 To submit a relief application, you should:
- (a) lodge an electronic copy to applications@asic.gov.au;
 - (b) include the prescribed fee(s) (see RG 257.142–RG 257.144); and
 - (c) ensure that your application addresses the criteria set out in RG 51.

Prescribed fees

- RG 257.142 There are fees associated with applying for relief. We have published guidance on these fees:
- (a) for relief from the Corporations Act—in [Regulatory Guide 21](#) *How ASIC charges fees for relief applications* (RG 21); and
 - (b) for relief from the National Credit Act—in [Regulatory Guide 208](#) *How ASIC charges fees for credit relief applications* (RG 208).
- RG 257.143 Generally, if you are requesting individual relief to allow you to test a financial service without an AFS licence, you will be asking ASIC to make one substantive decision under s926A of the Corporations Act. If you are requesting individual relief to allow you to engage in credit activities without a credit licence, you will generally be asking ASIC to make one substantive decision under s109 of the National Credit Act.
- RG 257.144 However, this may not be the case for all relief applications and the prescribed fee for each application will be calculated consistent with our published guidance.

Key terms

Term	Meaning in this document
ADI	An authorised deposit-taking institution—a corporation that is authorised under the Banking Act 1959. ADIs include: <ul style="list-style-type: none">• banks;• building societies; and• credit unions
advice	Financial product advice
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
best interests duty	The duty to act in the best interests of the client when giving personal advice to a client as set out in s961B(1) of the Corporations Act
controller	A person who has the capacity to determine the entity's financial and operating policies Note: See s50AA of the Corporations Act
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
Corporations Regulations	Corporations Regulations 2001
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities
credit licensee	A person who holds a credit licence under s35 of the National Credit Act
fintech	Financial technology

Term	Meaning in this document
fintech licensing exemption	A conditional licensing exemption provided by ASIC under ASIC Corporations (Concept Validation Licensing Exemption) Instrument 2016/1175 and ASIC Credit (Concept Validation Licensing Exemption) Instrument 2016/1176 to allow eligible businesses to test certain specified products and services for up to 12 months without holding an AFS licence or credit licence
general advice	Financial product advice that is not personal advice Note: This is a definition contained in s766B(4) of the Corporations Act.
individual licensing exemption	A tailored licensing exemption that may be granted by ASIC on a case-by-case basis to allow an individual business to test certain products or services without holding an AFS or credit licence
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
organisational competence	The obligations in s912A(1)(e) of the Corporations Act and s47(1) of the National Credit Act
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: <ul style="list-style-type: none"> the person giving the advice has considered one or more of the client's objectives, financial situation and needs; or a reasonable person might expect the person giving the advice to have considered one or more of these matters Note: This is the definition contained in s766B(3) of the Corporations Act.
registered scheme	A managed investment scheme that is registered under s601EB of the Corporations Act
RG 51	An ASIC regulatory guide (in this example numbered 51)
simple managed investment scheme	A registered scheme that invests at least 80% of its assets in a bank account where funds can be withdrawn within three months, or in arrangements where the investments can be realised at market value within 10 days: see reg 1.0.2 of the Corporations Regulations
testing period	The 12-month period during which a business can conduct service testing under the fintech licensing exemption

Related information

Headnotes

AFS licensees, applications for relief, credit licensees, fintech, fintech licensing exemption, innovation, Innovation Hub, organisational competence, regulatory sandbox, testing

Legislative instruments

[ASIC Corporations \(Amendment\) Instrument 2016/1246](#)

[ASIC Corporations \(Amendment\) Instrument 2017/580](#)

[ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#)

[ASIC Corporations \(Generic Calculators\) Instrument 2016/207](#)

[ASIC Corporations \(Non-cash Payment Facilities\) Instrument 2016/211](#)

[ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#)

[\[CO 03/1048\]](#) *Mortgage offset accounts*

Regulatory guides

[RG 1–RG 3](#) *AFS Licensing Kit*

[RG 21](#) *How ASIC charges fees for relief applications*

[RG 36](#) *Licensing: Financial product advice and dealing*

[RG 51](#) *Applications for relief*

[RG 104](#) *Licensing: Meeting the general obligations*

[RG 105](#) *Licensing: Organisational competence*

[RG 121](#) *Doing financial services business in Australia*

[RG 126](#) *Compensation and insurance arrangements for AFS licensees*

[RG 165](#) *Licensing: Internal and external dispute resolution*

[RG 167](#) *Licensing: Discretionary powers*

[RG 175](#) *Licensing: Financial product advisers—Conduct and disclosure*

[RG 185](#) *Non-cash payment facilities*

[RG 203](#) *Do I need a credit licence?*

[RG 204](#) *Applying for and varying a credit licence*

[RG 205](#) *Credit licensing: General conduct obligations*

[RG 206](#) *Credit licensing: Competence and training*

[RG 208](#) *How ASIC charges fees for credit relief applications*

[RG 209](#) *Credit licensing: Responsible lending conduct*

[RG 210](#) *Compensation and insurance arrangements for credit licensees*

Legislation

ASIC Act, Div 2 of Pt 2

Corporations Act, s50, 911A(1), 911B, 912A, 926A; Pt 5.2B, Div 3 of Pt 7.7,
Div 2 of Pt 7.7A

Corporations Regulations, regs 1.0.2, 7.1.07G

National Credit Act, s29, 109

Consultation papers and reports

[CP 260](#) *Further measures to facilitate innovation in financial services*

[REP 508](#) *Response to submissions on CP 260 Further measures to facilitate
innovation in financial services*

Information sheets

[INFO 146](#) *Responsible lending disclosure obligations—Overview for credit
licensees and representatives*