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25-June-2021

Committee Secretary
Senate Select Committee on Australia as a Technology and Financial Centre
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Submission to the Senate Select Committee on Australia as a Technology and Financial Centre

A banking tale of one company operating in two jurisdictions

Ryan Kris, COO, Verida.

Dear Senators,

I am writing to the Commission to share the recent experience our business Verida has faced when trying to obtain banking services for operations in Australia.

Verida is an Australian startup building a protocol that gives users greater control and privacy over their own data. Our users can realise value from their data based on their decisions and choices. Through this, we will enable new business models leveraging user data that unlock an era of hyper-personalisation for users, creating a new wave of user-centric innovation.

Blockchain technology forms a key part of the underlying technology architecture for Verida solutions. We recently completed a \$US3m seed funding round supported by a group of funds and angel investors globally. This capital is to be invested in hiring Australians to join our team and grow our product.

Verida is a Blockchain Australia member. Myself and Chris Were, CEO, are both visible and active in the Blockchain community and recently participated as speakers at Blockchain Week. We have readily available work histories and reputations that can be verified.

Verida has been incorporated in Singapore. We were attracted by the more friendly regulatory environment for Blockchain and crypto startups. Even though we are founded in Australia, by Australians, the perceived regulatory risk is lower in Singapore. We were also influenced by other blockchain projects that have come before us and made this decision too.

We additionally incorporated a subsidiary operating entity in Australia to employ and pay Australian tax residents who joined the Verida team. We have struggled to operate this entity in Australia effectively due to problems we encountered opening banking facilities.

Our Australian banking experience

Our banking provider from the beginning of our journey has been Airwallex, an Australian Fintech startup who offer multi-currency global wallets. This was attractive to us given that we would be

receiving investment capital in US Dollars, but pay expenses in AUD. They offer an easy in-app forex conversion plus bank transfers globally.

Airwallex approved our account and setup our Singapore and US bank accounts in a matter of days. There were no complications or issues once we had completed the appropriate KYC processes.

After our good experience using Airwallex for our Singapore entity, we decided to use them as our banking provider for the Australian entity.

Our application for the Australian entity was denied. No reason was given. This befuddled us, as our Singapore entity had been approved by the exact same company (Airwallex).

The lack of rationale for declining the application feeds into the ‘culture of silence’ about this problem which we feel is impacting the Blockchain industry more broadly. We regularly hear complaints from other Blockchain businesses about being debanked and the lack of transparency from bank and payments providers.

Airwallex maintains jurisdiction specific Sign Up Terms. Those terms will apply to the country the entity is incorporated in. Airwallex is a front-end for banking. They have service agreements with banks in the back-end whose infrastructure they utilise, and they must uphold those agreements. In this situation, ANZ is their back-end provider.

Our experience has in some ways been a live experiment in the natural environment. Since we used the same service provider (Airwallex) in both Singapore and Australia, this has controlled for any variance in risk assessment procedures. The same team, to our knowledge, is assessing applications, just for different jurisdictions.

Outcomes of this experience demonstrated:

- The same company, developing the same product can get a bank account in Singapore but not in Australia.
- Verida Australia received a clear message from a Fintech (Airwallex) and a major bank (ANZ via Airwallex service agreement) that a new innovative business which involves Blockchain is not welcome in Australia as a customer.
- There are no reasons for applications being declined or denied. We, and we are sure, the whole industry makes inferences in the absence of clear application responses (ranging from those businesses not understanding Blockchain or digital assets, misunderstanding the risk profile, believing that the regulatory framework in Australia doesn’t provide clarity, or at worst, that these businesses are deliberately blocking Blockchain businesses from banking for another reason).
- This has been a significant waste of time and resources for Verida and Airwallex. Both companies spent time and resources going through a process that resulted in no beneficial outcome. That time and money could have been better applied to hiring Australians and driving innovation.

For Verida, and other startups in this situation it means:

- The process of applying, following up, reviewing and corresponding when applying to multiple banks trying to get an account is time-consuming and expensive.
- For a lean startup building an innovative product doing business in Australia becomes more difficult.
- Such new businesses seem better off operating in a jurisdiction where there is ‘less friction’ and lower costs to doing business.

Why did we get declined in Australia and not in Singapore?

We can't know for sure, due to the lack of disclosures on the rejection correspondence in relation to our application, but can only infer from other similar experiences in the industry.

- We believe it's likely due to a lack of internal understanding and risk management processes on how to assess risk associated with startups in the Blockchain and crypto sector.
- The lack of a regulatory framework development from the Government on token classifications and risk exposure. Such a framework may help banks in maturing their own risk management policies.
- The lack of firm support for Blockchain businesses at the Government level to help encourage banks and payments companies to support businesses like ours.

What does this mean for Australia?

We were disheartened to go through this process. We found it stressful, and it slowed us down as we are trying to build our startup. Since, we have started applying for other bank accounts and remain hopeful we will be approved by another bank.

We are concerned, however, for the broader impacts to the Australian economy as we know we are not alone in this kind of experience. We believe:

- The macro impact here is shifting economic activity away from Australia through to other jurisdictions like Singapore.
- Professional services, accountants, lawyers, and others will be engaged in overseas jurisdictions like Singapore; money that does not flow in the Australian economy.
- Australia is likely not to capture the full value creation in the crypto economy like other jurisdictions are beginning to do.

Conclusion

Our submission to the *Senate Select Committee on Australia as a Technology and Financial Centre* is made to inform the Committee of a real-life example an Australian Blockchain startup has faced when trying to access banking services in Australia.

We hope our experience serves as evidence to help ground recommendations the Committee may make which ultimately should improve the operating and policy environment for approval of banking services to Blockchain startups now and into the future. This in turn would build confidence in the establishment of services between businesses that ultimately support economic growth and value creation in Australia's economy.

Sincerely,

Ryan Kris

Chief Operating Officer
Verida