



Committee Secretary
Senate Select Committee on Financial Technology and Regulatory Technology
Department of the Senate
PO Box 6100
Parliament House
Canberra
ACT 2600
Australia

18 December 2019

Dear Committee Secretary

Submission to the Select Committee on Financial Technology and Regulatory Technology

1. Thank you for the opportunity to make a submission to the Select Committee on Financial Technology and Regulatory Technology.

Submission outline

2. This submission covers:
 - a. An introduction to Iress
 - b. Iress' overall position on the Committee's inquiry
 - c. Iress' specific views on topic areas relevant to the Committee's inquiry namely skills and talent; and capital, funding and tax.

Introduction to Iress

3. Iress is a technology company providing software to the financial services industry. Our software is used by more than 9,000 businesses and 500,000 users globally. Iress is listed on the Australian Securities Exchange (IRE.ASX).
4. Iress started operating in Melbourne in 1993. At that time, Iress was a start-up providing software and services to stockbrokers. Today, Iress provides software for a range of financial services



businesses including stockbrokers, wealth managers, financial advisers, superannuation funds, lenders and insurers in Asia-Pacific, Europe, Africa and North America.

5. Iress employs 1,950 people, with approximately half in product and technology engineering roles. Iress remains headquartered in Melbourne and is a significant exporter of technology with approximately half of its revenue now generated from outside Australia.
6. Over the course of 25 years, Iress has moved from start-up to a listed and established technology business. Iress does not provide financial services products - instead it offers the software that supports those products including to financial services businesses - ranging from incumbents to disruptors.
7. Iress also provides RegTech software in Australia. This software allows financial services businesses to proactively monitor against key risk indicators to alert a business to potential risks before they become an issue. The software, Lumen, was acquired under Iress' partial investment strategy, which sees Iress investing in start-ups to help accelerate their growth.
8. Iress also enters into collaborative arrangements with third party software providers, including FinTechs. This includes revenue-sharing arrangements as well as integrations. Iress' open architecture allows third-party providers to access Iress' APIs, enabling startups, including FinTechs, to access growth opportunities through a broader ecosystem. Examples of these have seen Australian start-ups leverage Iress' community of users in Australia and overseas.

Iress' overall position on the Committee's inquiry

9. Iress welcomes the Committee's inquiry into the current position of Australia's FinTech and RegTech industries and agrees that the Committee's formal remit are the correct areas of focus. Iress notes that in recent years FinTech and RegTech have received increased attention as emerging industries, however, it is critical that policy developed for the FinTech and RegTech industries is done so in a comprehensive and consultative way and does not simply seek to generate headlines at the expense of sound policy.



10. Iress agrees that it is critical to have the regulatory settings right “to facilitate innovation and growth in the FinTech industry in Australia, while maintaining appropriate safeguards for Australian consumers” (Issues Paper, page 13). Iress is particularly supportive of initiatives to strengthen access to capital and funding for entrepreneurs and start-ups and that these are attractive on an international basis.
11. Iress believes start-ups and entrepreneurs (as much as they wish to) should have international expansion as their goal as soon as possible. The transition of a start-up to local provider to international exporter is a critical one for growth and ongoing viability, but also so that the start-up can increase its contribution to the productive economy.
12. In our view, of utmost importance is increasing the volume and quality of entrepreneurs and technology talent in Australia, both from within Australia and overseas. Programs such as the GTES and Entrepreneur Subclass 188 Visas support this, along with other programs.
13. Longer term, Iress believes a concerted focus by business, government and the education sector is critical to increasing the number of people from Australia who choose careers in technology and as entrepreneurs. In the short to medium term, where roles cannot be filled domestically, using talent from overseas will remain a critical part of growing the technology industry in Australia, including FinTech and RegTech.

Specific topic areas relevant to Committee’s inquiry

Skills and talent

14. Australia has quality technology capability however, it lacks this in sufficient volume. Recruitment of a sufficient number of high quality candidates from within Australia is a pressing concern for Iress. Deloitte Access Economics has estimated that demand for technology workers will grow by 100,000 between 2018 and 2024 with the technology workforce increasing to 792,000 workers. While the pipeline of technology workers is improving, it still falls short. In 2017, our universities produced fewer than 6,000 technology graduates¹.

¹ ACS Australia’s Digital Pulse 2019 (Deloitte and Australian Computer Society):
<https://www2.deloitte.com/au/en/pages/economics/articles/australias-digital-pulse.html>



15. Iress has a number of initiatives to support the nurturing of Australian technology graduates, including increasing the number of female graduates entering technology roles. This includes a graduate employment program, which has employed more than 100 people in Australia since 2005, world-leading family leave policies and equal pay for equal role practices.
16. At the beginning of 2019, Iress hired its first employee under the not-for-profit Talent Beyond Boundaries initiative, becoming the first Australian organisation to do so. This has been followed by other organisations. We have welcomed the Government's support of this initiative, which has allowed us to employ two displaced Syrian software engineers in Australia and it is Iress' intention to hire more people under this program. Both refugees have successfully become part of our culture, making strong contributions to our business and our clients. The two refugees were hired on their merits using the same process we use to hire someone applying domestically. Our UK business has recently hired another software engineer through Talent Beyond Boundaries and we see this as an important and ongoing additional channel for recruitment.
17. Both Australian refugees came to Australia under the Temporary Skills Shortage visa (subclass 482). Under this visa they pay taxes but do not have access to a whole range of humanitarian support services available to other refugees. In a recent government submission, Talent Beyond Boundaries called for a new employer-led visa scheme to level the playing field.
18. Iress supports any initiatives by Government and business that make it easier for high quality candidates to apply for technology roles in Australia where these cannot be otherwise filled from within Australia.

Capital, funding and tax

19. Iress has a strong interest in ensuring a healthy and robust start-up environment in Australia. This ensures direct competition and also provides integration partners who meet specialist needs of financial services businesses.
20. Many of the countries that Iress operates in have introduced incentives to help early-stage entrepreneurs. This includes Singapore, the United Kingdom and the United States. For example, in Singapore eligible startups are exempted from 75% of tax on the first S\$100,000 of the normal



chargeable income for the first three consecutive assessment years. In addition, the company is exempted up to 50% of tax on the next S\$100,000 normal chargeable income².

21. While there have been moves to provide investment incentives such as seeking to encourage greater angel investing through the Early Stage Investment Company regime, Australia's 27.5% company tax rate for small businesses remains too high to encourage re-investment and fast growth versus other jurisdictions.

Summary

22. Iress supports the Senate's inquiry, and its aims.
23. Iress believes the single determining factor for the success of the Australian FinTech and RegTech industries is ensuring increased volumes of quality people to work in and drive these industries.
24. Iress believes Australia is uncompetitive in its company tax settings and particularly as they relate to entrepreneurs.

Yours sincerely

Andrew Walsh

Chief Executive Officer

² Tax Exemption Scheme for New Start-Up Companies

<https://www.iras.gov.sg/irashome/Businesses/Companies/Learning-the-basics-of-Corporate-Income-Tax/Common-Tax-Reliefs-That-Help-Reduce-The-Tax-Bills/>