



13 July 2020

Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

To whom it may concern:

Senate Select Committee Financial Technology and Regulatory Technology

Thank you for this opportunity to follow up on the previous submission dated 13 December 2019 and our appearance at the Senate Committee on 28 February 2020 in Canberra.

The matters raised in our [original submission](#) (No. 10) still stand, if not with more urgency as we see the impacts of the pandemic unfold. This submission herewith appends to the original with updated information including focused data on the impacts of the pandemic. Our new strategic imperatives for 2020-2022 are outlined in this submission.

Key facts:

- RegTech presents a USD\$127 billion opportunity and can be a signature export for Australia¹
- Australia is currently ranked third in the world for RegTech product development, no longer sharing third place²
- The majority of our members are small businesses and according to the Small Business Ombudsman, “these count” as they are part of the community that contribute 33% to Australia’s GDP³

Key asks:

- Encourage all Government to understand and engage in the key benefits that RegTech can bring, so they can invest, influence and buy
- Influence key capital sectors to invest in patient capital funds that can benefit from the returns from RegTech investment and help grow RegTech companies
- Influence industry segments to consider RegTech (Superannuation, Telco, Energy)

¹ [https://www.juniperresearch.com/press/press-releases/regtech-spending-to-reach-\\$127-billion-by-2024](https://www.juniperresearch.com/press/press-releases/regtech-spending-to-reach-$127-billion-by-2024)

² Soon to be released, The RegTech Association/Boston Consulting Group/Expand Research Report

³ https://www.asbfeo.gov.au/sites/default/files/Small_Business_Statistical_Report-Final.pdf

- Expand the remit of export agencies to include RegTech as a central theme of digital innovation initiatives (and work on the FTA with the UK)
- Continued support of small business in considerations for ongoing financial support through stimulus programs during the current pandemic

Thank you for this opportunity.

Yours sincerely

Deborah Young
Chief Executive Officer

Update to Submission No. 10, Senate Select Committee on Financial Technology and Regulatory Technology – July 2020

Australia and RegTech

- Since the last submission, a new survey by Boston Consulting Group has revealed Australia is now free and clear third in the world in terms of RegTech product development. The 2017 research showed that we shared No. 3 spot with Switzerland. Numbers one and two are US and UK respectively. We will be publishing this research shortly.
- With a Free Trade Agreement negotiation underway between the UK and Australia, this gives us the potential for leveraging this global strength to accelerate adoption and underpin our global Centre of excellence.
- We maintain that there is merit in further research that will uncover hidden opportunities for RegTech across new export markets and new sector agnostic verticals. This needs funding and focus from across the ecosystem.
- With Open Banking now launched, and Energy and Telco rolling out with the Consumer Data Right, there is opportunity for RegTech to play a key role in helping support safety, privacy, transparency and the use of customer data to ensure better consumer outcomes.

RegTech and Government

- The RegTech Association (RTA) pivoted quickly establishing ourselves as a very important conduit to our stakeholders, and the wider ecosystem, during the pandemic. We have offered our platform to Government Ministers and Senators during this time as well as trade commissioners and Government representatives.
- We advocated for changes to the early iteration of Job Keeper to expand the remit to include high growth companies.
- Government is a key influencer to such industries as superannuation who could benefit from the efficiency and trust that RegTech brings.
- Government can be a buyer of the solutions that will bring greater data transparency and more efficiency in government.
- RTA is seeking a relationship with the Digital Transformation Agency to support/encourage this adoption.
- Since the data that follows indicates a retraction in trials and proof of concepts from 40% of respondents, we look to support programs to keep this vital part of the process moving forward.
- We have a working relationship with all of the financial services regulators including ASIC, AUSTRAC, APRA, and with AUSTRADE, UKTI, DFAT and NSW Treasury.
- The Fair Work Ombudsman recently became our first regulatory member.
- We have commenced liaison with other leading global peak finance bodies and regulators offshore.

RTA Strategic Imperatives and Focus

The activities outlined below that underpin our priority areas and are funded by membership subscriptions and event sponsorship, both of which we expect to be adversely impacted by COVID-19 for the next 12 months at least.



Included in the activities for the next 12 months:

- Growing the global membership base.
- Creating engagement opportunities to educate investors on the benefits of RegTech.
- Exploring new verticals and markets for exports through undertaking new research projects.
- Expanding our global reach through strategic alliances, joint programs and MOUs.
- Exploring the development of a digital marketplace and re-design of our directory of solutions.
- Re-imagining our premier event to meet the challenges of the pandemic.

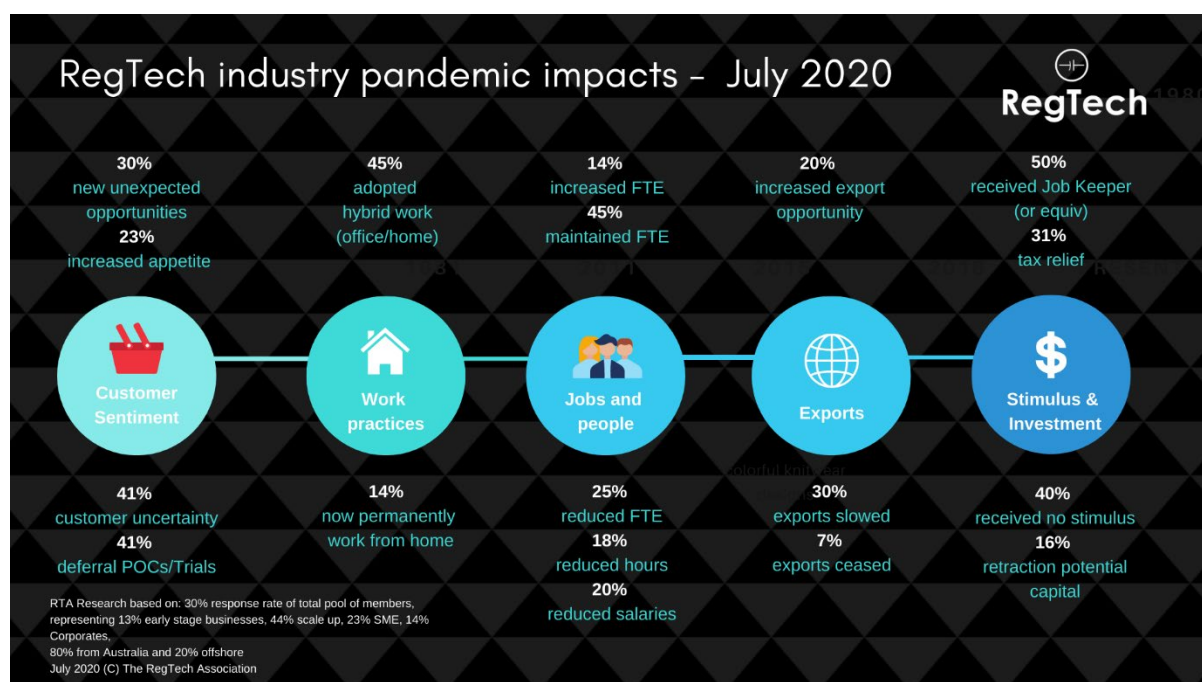
Update: RTA

- Established in 2017, we are non-profit to create a global Centre of excellence and accelerate adoption of RegTech, now with 150 members, up thirty new organisation's from the previous submission.
- Our members are comprised 80% Australian with 20% from offshore.
- Approximately 40% of our RegTech members have sector-agnostic solutions.
- We have three of the four major Australian banks signed and our first regulator as members.
- We've recently appointed an Advisory Committee to give the Executive more support.
- International regulators and established international peak bodies are now looking to the RTA to help lead discussions on RegTech.

- The association is co-designing programs and helping regulators connect with the broader stakeholder group.
- We are creating new partnership opportunities with other peak bodies to allow more consistency in advocacy and exploiting opportunities.
- The association, like many, have suffered through uncertainty, in particular through cancellation of our major global event for Sydney with just days to spare because of the pandemic (#ACCELERATERegTech2020) and the challenge in dealing with transferal of value.
- We have pivoted online for all of our events and have in 3.5 months had 2400 people from 35 countries attend our events (we had 1000 people in the previous 12 months), these include:
 - RegTech education
 - Mental health and COVID-19 resource support
 - Global RegTech showcase programs that promote the industry by problem statement
 - RegTechOpen4 Business programs that provide support mechanisms and thought leadership for RegTech
 - Global regulator engagement
- We are actively running our programs as global programs in time zones to suit Asia, UK and Europe.
- We remain resourced by FTE1.8 and have a freeze on expenditure and salaries and are recipients of the Job Keeper.

Executive Summary: Survey Results: The RegTech Association Member Update Industry sentiment COVID-19 impacts - July 2020

“We suffered a ceasing on our whole sales pipeline. Overnight practically. Then we pivoted to support our clients where they are now focused. That has saved us. Overall, the pressure to digitise is growing, but HQs are so distracted that it's hard to do the work with them. Overall, beyond 2020, COVID will accelerate demand for us. We just have to survive this year.” Survey respondent, 7 July 2020.



Customer sentiment and appetite

There are concerning trends in this research as they relate to customer sentiment and deferral of POCs and trials (a key indicator of likely RegTech adoption). Further consideration could be given to underpin these through additional support measures/incentive programs, including briefing and liaising with the Digital Transformation Agency and/or other appropriate parts of Government. There is some silver lining in the opportunities coming from the pandemic and some are indicating an increased appetite.

Work practices

A significant number of firms will have their people operate in a hybrid work environment (either by rotation or sometimes in, sometimes out of the office) while another 14% will operate permanently from home.

Jobs and people

45% of respondent firms have maintained their FTE levels and 25% have reduced. 18% have reduced hours and 20% have reduced salaries. Some firms have increased their FTE but a smaller number overall.

Exports

The research revealed some slowing of exports and in some cases cessation, but there's also new opportunities to be leveraged.

Stimulus and investment

50% of respondents received stimulus such as Job Keeper or local equivalents and 31% tax relief, however 40% either did not qualify or did not receive financial assistance. The number of Government Grants and Government guaranteed loans were very small. 16% of respondents believe there's been a retraction of potential capital investment overall, with at least one using the free comment field to say they'd raised capital in the UK where RegTech is a more mature market where Government invests.

General Comments

"Generally, cyber security remains an important issue for all levels of Government and enterprise. Having said that, the approval process is slowing."

"The selling cycle is often long. Prospects are being cautious. Stopping Jobkeeper would be very shortsighted as there are huge opportunities but we all need time to build trust and identify POCs in this difficult time."

"Our key customers are financial institutions and the primary impact for us has been that several contract negotiations have ceased, or been put on indefinite hold, as our potential customers determine impact on their own organisations, tackle reduced budget and face large scale redundancies."

"The government should consider further policies to support start-ups and scaleups post September end of Jobkeeper as the global market remains uncertain, incremental and restrictive." It should also support for businesses that were gearing up for growth, with tax rebates on software-as-a-service contractors, marketing, sales and hosting, plus expansion of immediate commercialization and export grant funding."

“As the founder of a RegTech solution, I am of the view Covid-19 has resulted in escalating the transition to the digital world. FinTech and RegTech was already growing fast before Covid-19. I believe Covid-19 is a transition to the digital evolution in that FinTech and RegTech will become business as usual. Before Covid-19, FinTech and RegTech was still reasonably new territory. Countries that are advanced in FinTech and RegTech have benefits for GDB and general economic recovery. This includes New Zealand from where we have a reputation of 'number 8 wire', meaning NZ has a reputation of innovation. Through the RegTech Association, the Australian Government have entered Covid-19 in a beneficial position.”

“The pandemic has accelerated the adoption of new technologies, opened up potential new opportunities. Organizations have become more flexible in adopting new technologies.”

“We have noticed that larger organisations and government were the first to stop spending. Smaller clients remained focused on post-pandemic recovery and seemed to be more agile.”

“My organisation - although not a RegTech firm itself - believes that the RegTech innovations have a lot to offer the Australian financial services sector. We believe that RegTech has the potential to reshape the Australian financial services sector for the better.”

“One key thing that really needs to be addressed is that RegTech is not on the Government's industry priority list which affects access to all types of grants. Australian Government's Industry Growth Centres Initiative: Advanced Manufacturing Food and Agribusiness Medical Technologies and Pharmaceuticals Mining Equipment, Technology and Services Oil, Gas, and Energy Resources, or Provide enabling technologies and services (e.g. ICT) to a business working in one of the growth sectors listed above.”

“It's one door closes, another opens for us. Australia is slow, but the crisis has shifted mental mindset, opening up the global scale opportunity sooner. It will shake up the VC marketplace for sure - no bad thing.”

“We have been fortunate that our major client is the ATO, so we picked up additional work on top of our contracted work to support stimulus initiatives. This enabled us to employ more people and offset a couple of other deferred POC's.”

“Impact is more likely to be felt in 2021.”

“Financial institutions and government have paused some initiatives as they cope with COVID19. POC's, pilots, new initiatives have slowed dramatically. Once job keeper ends, layoffs in these initiatives will come. It's fast and easy to downsize and lose these industries, really hard to build them, attract expertise and funding to make them happen.”