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18 March 2022

## **Joint Standing Committee on Treaties Inquiry into the Australia-UK Free Trade Agreement**

**Contact:** Jack Pinczewski, APAC Government Relations Manager [REDACTED]

Mr Chairman,

Thank you for the opportunity to provide a submission to the Joint Standing Committee on Treaties inquiry into the Australia-UK Free Trade Agreement.

### **About Wise**

Wise is a global technology company, building the best way to move money around the world. With the Wise account people and businesses can hold over 50 currencies, move money between countries and spend money abroad.

Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärmann and Taavet Hinrikus, Wise launched in 2011 under its original name TransferWise. It is one of the world's fastest growing, profitable technology companies and is listed on the London Stock Exchange under the ticker, WISE.

12 million people and businesses use Wise, which processes over £6 billion in cross-border transactions every month, saving customers over £1 billion a year.

### **Background**

With greater ease of international commerce, there are more significant opportunities and more valuable outcomes for those who are sending money across borders. We are very encouraged by the language of this free trade agreement promoting electronic payments, digital identities and industry standardisation which will allow for cheaper, faster, more convenient and more secure transfers of customer money across borders.

[www.wise.com](https://www.wise.com)

Our company facilitates the movement of money across borders and we understand that what underpins this need to send money overseas is international commerce and the associated movement of goods, services, capital and people.

Wise acknowledges that the process of negotiating and ratifying a free trade agreement is a long one and we appreciate the time and effort put into this process from both the Australian Department of Foreign Affairs and Trade and their British Counterparts in the Department for International Trade.

### **Policy statements**

Wise notes that there are considerable sections of relevance in the text of the Australia-UK Free Trade Agreement for providers of international payments and we also note that the agreement broadly encourages the movement of goods, services, capital and people between the United Kingdom and Australia.

### **Harmonisation of access rights**

Wise believes that harmonisation of access rights to payment systems for non-local companies should be an integral part of international trade deals. We acknowledge the language in the agreement promotes the access to electronic payments systems in that these payment systems will have their objective and risk based criteria disclosed such that it would permit fair and open access.

Wise is the first non-bank to be allowed access to the New Payment Platform. This access allows us to cut out the middleman in an intermediary bank and provide faster and cheaper payments to our customers.

While the language in the agreement is positive, we still believe that the Australia-UK Free Trade Agreement can be more ambitious in regards to the promotion of access rights to payments systems.

### **Adoption of international standards for payments**

Wise is encouraged to see specific sections, in particular Article 9.16, which are designed to foster the adoption and use of internationally accepted standards for electronic payments.

Wise hopes that this encouragement relates to the ISO 20022 standards and we believe that this adoption will make payments faster, easier and cheaper for Australian and British consumers and businesses to send money abroad - not only between Australia and the UK, but to any country that has similarly adopted the ISO 20022 standards.

### **Greater regulatory harmonisation**

Wise views our UK e-money licence as the gold standard for licensing our activities. Encouraging Australia to consider aspects of this licence will support the international expansion for start-ups, reduce regulatory costs and ultimately provide a higher level of competition which benefits the consumer.

We note that a non-conforming measure included in the Annex III schedule for Australia has a carve out which would prevent the importation of regulation which allows for a similar regime to our UK e-money licence in Australia. The effect of this particular carve out is to maintain a regulatory barrier to the establishment and operation of fintechs in Australia if they in any way hold consumer deposits.

We acknowledge that the Australian government has a domestic public policy position towards a well regulated banking sector with prudential measures to ensure its stability and the proper capitalisation of deposit taking institutions. However, we note that this policy position limits the ability of innovation in the banking and financial space particularly for innovative fintechs such as Wise.

For example, under our limited Authorised Deposit-taking Institution (ADI) licence we are required to hold High Quality Liquid Assets to match 100% of stored value liabilities (SVL) for Australian customers. This is in addition to a minimum of 5% of SVL to be held in Tier 1 Capital. Compared with only having to safeguard customer funds under the UK e-money licence and much lower capital requirement, this is a key demonstrator of the differences in regulatory burdens.

### **Digital ID**

Wise is very encouraged by the language in the agreement in Article 14.7 towards the portability, compatibility and interoperability of digital identities. This presents a genuine area of value for our customers as through greater portability of digital identities comes greater convenience for our customers, especially given the importance of Know Your Customer (KYC) requirements in financial services.

We encourage both Australia and the United Kingdom to examine the experience of digital identities in Nordic countries including Estonia and Sweden for lessons in digital ID implementation.

### **Regulatory support**

Often, there is no centralised place in some jurisdictions to find out what the rules and regulations are to join the payment system. We acknowledge the Fintech bridge which has been in place since 2018 and the value provided in the 'one stop shop

service' enabling firms access to legal and regulatory advice about setting up between the UK and Australia.

In particular we appreciate the requirements for transparency in measures governing the activities of financial service suppliers and that the laws, regulations and other procedural rulings are made available to interested parties.

### **Data flows**

Wise would like to see mutual recognition of Standard Contract Clauses and International Data Transfer Agreements to help make dealing with our customers in those jurisdictions more streamlined. We are encouraged by the language in Article 9 of the agreement relating to Financial Data and Information and the encouragement of transfer of data by electronic means.

### **Movement of people**

Wise greatly appreciates the language in Chapter 11 regarding enhanced movement of individuals under this Free Trade Agreement. Wise has over 3,000 employees employed in 19 countries around the world. We have offices in both the United Kingdom and Australia and regularly require the attendance of specialised staff at either location.

The temporary entry provisions contained in Chapter 11 are particularly important to Wise and the way that we do business. We are very enthusiastic about the degree of ambition shown in this section particularly with respect to intra-company transfers.

### **Consumer protections**

Wise notes the firm statements made in favour of consumer protections in Articles 14.16 and 17.5. We note that currently banks and other traditional financial institutions hide fees in their foreign exchange rates, not telling consumers about their foreign exchange markups. We hope that the language in this agreement serves as a catalyst to outlaw these hidden fees and have them disclosed in online commerce.

### **Conclusion and Recommendation**

Wise acknowledges that this agreement is ambitious in scope and that many of the provisions in this Free Trade Agreement promote the faster, cheaper and more convenient movement of money across borders. Based on its positive impact on international payments, we would endorse its ratification by both Parliaments in Australia and the United Kingdom.

We would always encourage the greatest levels of ambition and scope of free trade agreements and where there are possibilities for enhancement of this agreement we would believe there are considerable gains for consumers and businesses from potentially revisiting parts of this agreement after some years with the benefit of hindsight.

We thank the committee for the opportunity to make this submission.

Sincerely,

A solid black rectangular box used to redact the signature of Jack Pinczewski.

Jack Pinczewski  
APAC Government Relations Manager