



ASIC

Australian Securities & Investments Commission

Stability in prudential regulation and the impact of new technologies on market dynamics

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CHECK AGAINST DELIVERY

Introduction

Good morning all. It's a pleasure to be here today.

Today I am going to talk about the impact of new technologies. In particular, I will talk about two things:

- the challenge posed for ASIC by digital disruption to existing business models and channels, and
- ASIC's innovation hub.

The challenge posed by digital disruption

I believe that the great drawcard of digital disruption is the opportunity it brings.

Global investment in financial technology (fintech) ventures tripled to US\$12.2 billion in 2014, from US\$4 billion in 2013.

Businesses have seen the potential for new ways of creating and sharing value with technologically savvy investors and consumers. For example, the potential of:

- peer-to-peer lending/marketplace lending
- robo-financial advice
- crowd funding, and
- payment infrastructures (e.g. digital currencies and Apple Pay).

In the future, we will likely see further developments in:

- individually tailored insurance – such as QBE’s ‘Insurance Box’, and
- exchanges using the potential of blockchain technology.

However, these businesses often have innovative business models that may not fit neatly within existing regulatory frameworks or policy.

ASIC’s fundamental objective is to allow markets to fund the real economy and in turn economic growth. For markets to do their job, investors and financial consumers need to have trust and confidence in them.

Ensuring Australians have trust and confidence in our markets is at the heart of everything we do and is reflected in our regulatory strategic priorities of:

- investor and consumer trust and confidence, and
- fair, orderly and transparent markets.

As a pro-active and forward-looking regulator, we want to help industry take advantage of the opportunities on offer; but we also want innovation that fosters investor and financial consumer trust and confidence.

ASIC’s Innovation Hub

One way ASIC is striving to be forward looking in its approach is through its Innovation Hub. The Innovation Hub is designed to make it quicker and easier for innovative start-ups and fintech businesses to navigate the regulatory system we administer. It fits with ASIC’s commitment to cutting unnecessary red tape and facilitating business generally.

The Innovation Hub has five key components:

- *Engagement:* ASIC will engage with other fintech initiatives, including physical hubs and co-working spaces that have been established for startup businesses. One example is Stone and Chalk, a fintech co-working space funded by many large businesses, including some banks and insurers. We want to work cohesively with government and industry in this area. We will closely monitor any other new initiatives and offer our assistance where we can.
- *Streamlining:* We will streamline ASIC’s approach to facilitating business for new business models – for example, by looking to streamline common application processes, including applying for or varying a licence and in granting waivers from the law.
- *Access:* We will look at making ourselves more accessible to new types of businesses – for example, a portal on our website that offers a one-stop shop for innovative businesses to access information and services directly targeted at them.
- *Coordination:* Within ASIC, we will adopt a coordinated approach to applying any reforms that may apply to innovative businesses in the future.
- *DFAC:* We have established a Digital Finance Advisory Committee, or DFAC for short. This committee will advise ASIC on its engagement with innovative

businesses. DFAC will meet for the first time early next month. Its eight members are drawn from other initiatives such as Stone and Chalk, academia, and the fintech sector. The committee will also include a representative with a strong consumer background. We expect that the perspectives provided by the committee members will help ASIC direct its efforts in the fintech sector.

Conclusion

I'd like to conclude by emphasising the importance of industry and regulators working together to harvest the opportunities from digital disruption and financial innovation.

We all have a common interest in seeing these opportunities harvested, while at the same time mitigating the risks, so that we all enjoy the benefits of:

- investor and consumer trust and confidence in our markets, and
- sustainable growth.