



ASIC
Australian Securities &
Investments Commission

Financial Innovation: Regulator Meet-up

Tuesday, 21 September 2021



WebEx Events Housekeeping

- **Audience microphones will be muted** for the duration of the session
- The session is being **recorded**. The recording and slides will be distributed later this week.
- Use the **WebEx Q&A** function to **submit questions to the *Host and Presenters***
 - **Responses** will be given at the **end of the end of each presentation** and then again at the **conclusion of the meet-up**
 - We will aim to **provide answers to outstanding questions** in a note when the recording and slides are distributed

Agenda



- **Opening Comments**
Cathie Armour, Commissioner, ASIC
- **ASIC Update and Facilitator**
Mark Adams, Senior Executive Leader, Strategic Intelligence
- **APRA Update**
Stephen Rutherford, Senior Manager, Licensing, Regulatory Affairs & Licensing
Nick Palmer, Senior Manager, Licensing, Regulatory Affairs & Licensing
- **ACCC Update**
Paul Franklin, Executive General Manager, Consumer Data Right
Kat Savelli, Acting General Manager, Solution Delivery & Operations
- **Questions & Answers – all regulators**

Opening Statement

Cathie Armour, Commissioner, ASIC





ASIC Update

Mark Adams, Senior Executive Leader, Strategic
Intelligence and Co-Ordinator, Innovation Hub



Topics



- ASIC's Innovation Hub – informal assistance
- Licensing
- Government's Enhanced Regulatory Sandbox (ERS)
- Crypto-assets Consultation Paper CP 343

Financial innovation - ASIC's objective



- We see the potential for new products and services to meet the needs of financial consumers and market participants more efficiently and cost effectively

Thus, our objective is:

- To promote the provision of fair and professional financial services and markets in a digital environment

While:

- Balancing the benefits of innovation against the potential risks to consumers and market integrity

Why an Innovation Hub?



- Help innovative businesses **navigate the regulatory system – through the provision of informal assistance.**
- Help fintechs and regulatory technologies (regtechs) **understand how regulatory framework affects their business.**
- **Help ASIC understand innovative development.**
- **We also work with existing licensees as existing business as usual (BAU) engagement.**

Email address:

innovationhub@asic.gov.au

Website:

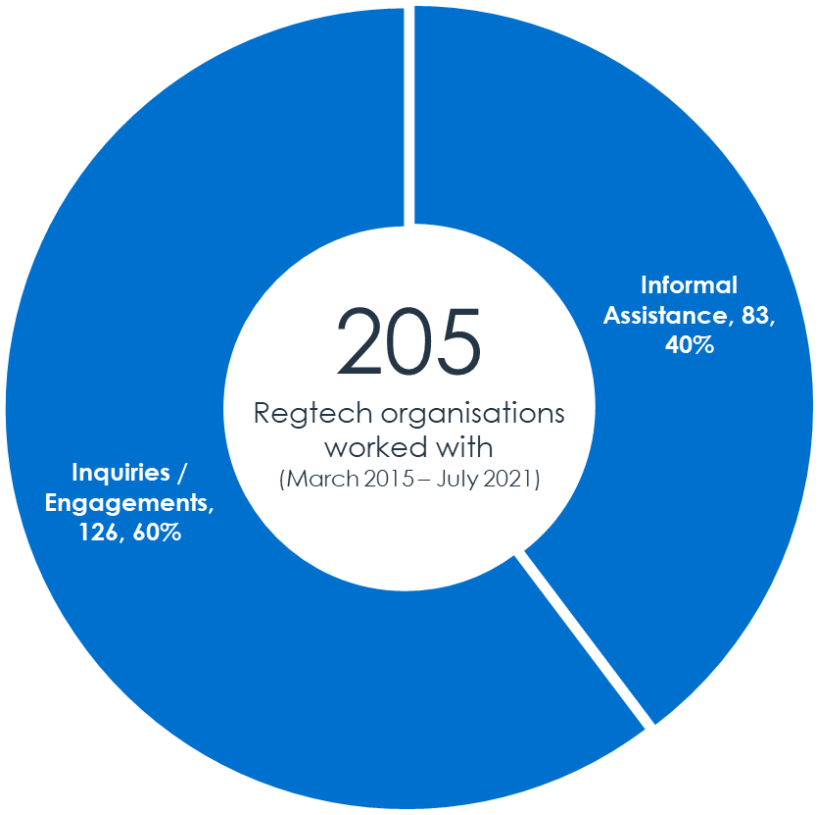
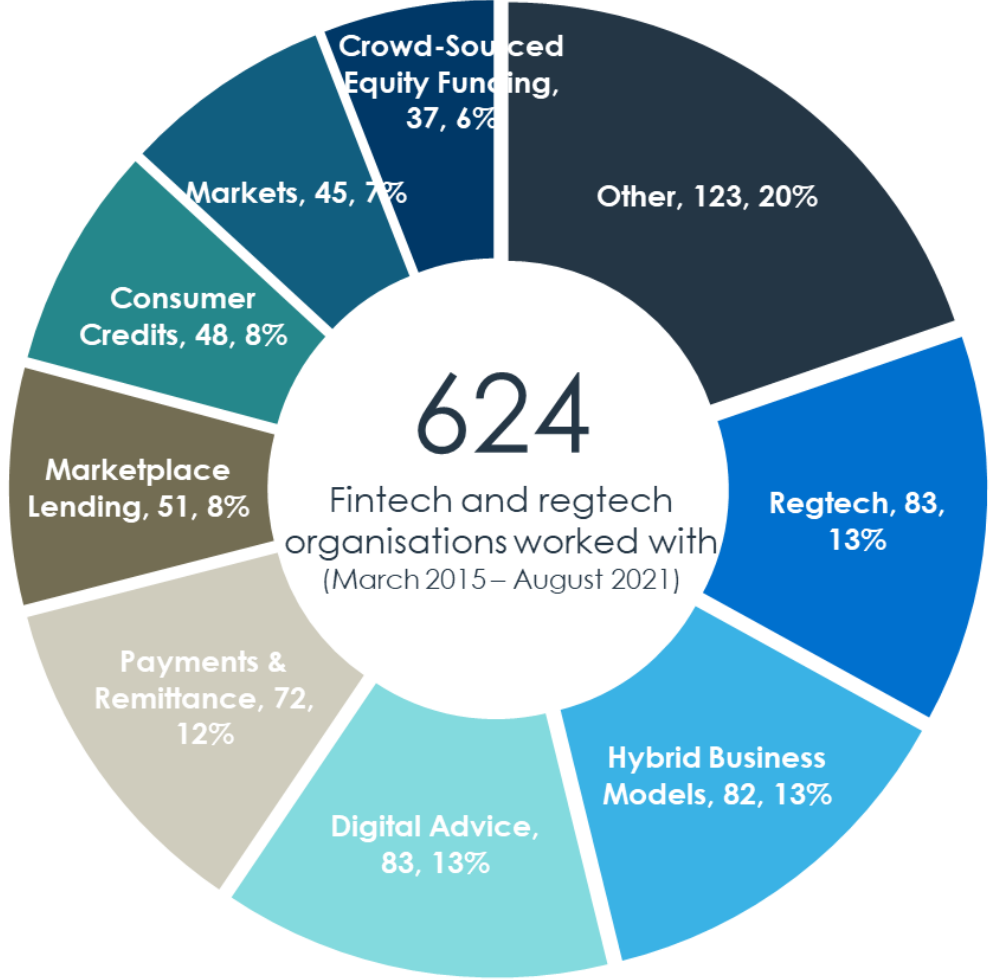
asic.gov.au/for-business/innovation-hub



Seeking information assistance – through the Innovation Hub

1. Please use the form to request assistance - have **clear information** about you and your business prepared – this helps both of us
2. Inform us of your **innovation and its impacts**
3. Meet our eligibility requirements:
 - **Are you a start-up/scale-up?**
 - **What is your innovation and business model?**
 - **What kinds of consumers or businesses are you helping?**
4. What **regulatory issues** do you think you'll be facing?
5. What are the **benefits and risks** of your solution?

Informal Assistance Statistics



Note: small differences in numbers come about due to timing differences in reporting processes



Licensing at ASIC

- ASIC has a dedicated Licensing Team – engages with ASIC’s business teams as needed
- The work of the Licensing Team comprises various work streams with AFS licence and credit licence applications forming the majority of our work
- In FY2020-21 ASIC received 2,118 applications for new or varied licences or professional registration – 1,883 for new or varied AFS licences or credit licences.
- A relatively small number of applicants are fintech or innovative applications.



Key issues for efficient licensing assessment

Getting a licence more quickly

Our experience is that going via the Innovation Hub assists with assessment timeframes because you get guidance on what ASIC requires in an application before applying.

This saves time and effort for everyone.

Useful licensing links

AFS Licensing Kit: Regulatory Guides 1-3: [RG 1 AFS Licensing Kit: Part 1 – Applying for and varying an AFS licence | ASIC - Australian Securities and Investments Commission](#)

INFO 240: [AFS licence applications: Providing information for fit and proper people and certain authorisations | ASIC - Australian Securities and Investments Commission](#)

Preparation for assessment

- Clear articulation of business model/activities
- Provide a transaction flow (product and/or service) and money flow diagram
- Tell us why you think you need that activity authorisation and/or product
- Responsible Manager competence (RG 105, and RG 206 and if providing financial product advice, RG 146)
- Key outsourced functions that are essential to your financial/credit services
- Provide evidence about how you will comply (risk management, conflicts, training and supervision)
- Read relevant regulatory guides and relevant information sheets



Licensing assessment process

1. Application is submitted online through ASIC's eLicensing Portal
2. Provide 'proof' documents in support and pay application fee
3. Completeness checked (if failed, is 'pre-lodge rejected' – no fee, if passed for assessment, fee is paid/payable and not refundable)
4. Assessment undertaken (review of information, intelligence checks, other regulatory agencies including internationally etc.)
5. Decision in principle to grant or refuse application made (reviews are possible)

Licensing - statistics

	AFSL (new and variations) (FY 20-21)	ACL (new and variations) (FY 20-21)	Fintech applications (2015 to 2021)
Applications - Assessed or under assessment	1,879	571	126
Approved	778	219	84
Rejected from lodgement	116	36	10
Withdrawn	161	78	22
Refused	1	0	0
Continuing	823	228	10

Licensing – ASIC's Service Charter



- We aim to decide whether to grant or vary an Australian financial services licence (AFSL) or Australian credit licence (ACL):
 - within 150 days of receiving a complete application (target: 70%)
 - within 240 days of receiving a complete application (target 90%)
- Applications will take longer if they raise complex or new policy issues, or if you don't give us all the information we need – often fintech applications fall into this category
- ASIC's licensing benchmarks compare favourably with those of overseas regulators
- On average, applicants that engaged with ASIC's Innovation Hub prior to applying for a licence obtained a final licence in a 18% shorter timeframe than those who didn't (154 days vs 182 days)

ERS is a licensing exemption available now



ERS available since 1 September 2020 – it supersedes the previous ASIC Sandbox



Provides exemption from the AFSL and ACL licensing regimes for testing certain eligible financial services/products and credit activities for up to 24 months



ERS is a 'class waiver' sandbox – it differs from the bespoke sandboxes available in some comparable overseas jurisdictions (e.g. FCA and MAS)



Purpose is to facilitate innovation by fintechs while also enabling consumer / investor protection, trust and confidence – balanced approach to risk

How to apply to use the sandbox

- Must notify ASIC of intent to use the sandbox in the prescribed notification form
- Satisfy ASIC of a range of matters including:
 - Fit and proper (probity) requirements
 - 'net public benefit' test
 - 'innovation' test
 - membership of the Australian Financial Complaints Authority (AFCA)
 - minimum professional indemnity (PI) requirements
- ASIC will adopt a pragmatic approach to assessing the notification – will rely on information provided (ordinarily we will not requisition)
- Assessment by Licensing, Hub and specialist business teams depending on proposed business model
- ASIC has 30 days to assess a notification and provide a decision in writing

Enhanced regulatory sandbox - status so far



Six entity currently testing in ERS – recorded on ASIC's ERS Public Register



18 applications not accepted – incomplete or ineligible



One ERS applications currently under assessment



Hub receiving and managing regular stream of ERS enquiries / potential interest

More information



Enhanced regulatory sandbox

The Australian Government's enhanced regulatory sandbox is now available to entities that wish to test their innovative financial services or credit activities. Using the sandbox, you can test your service or activity without an Australian financial services (AFS) licence or Australian credit licence for up to 24 months.

Check that you meet the general conditions that apply, and that the financial service and product, or credit activity, you plan to test are eligible.

You must meet entry requirements

You must:

- › not be licensed for, or have previously tested, the proposed financial service or credit activity
- › satisfy minimum requirements on probity, net public benefit and innovation
- › plan to test for no more than 24 months.



You must comply with ongoing conditions

You must:

- › provide only eligible financial services and products or engage in only eligible credit activities
- › have total customer exposure of no more than \$5 million
- › limit individual retail client exposure to \$10,000 for certain products
- › have adequate compensation arrangements (such as professional indemnity insurance)
- › be a member of the Australian Financial Complaints Authority
- › meet disclosure and conduct requirements.



You must only test eligible financial services and credit activities

Eligible

- › Providing personal or general advice
- › Dealing in or distributing eligible financial products
- › Issuing non-cash payment facilities
- › Issuing insurance (including as an agent)
- › Providing a crowd-funding service
- › Lending money to consumers



Not eligible

- › Issuing other financial products
- › Operating your own managed investment scheme



The type of client determines what are eligible products

Wholesale clients

- › All products except derivatives and margin lending facilities



Retail clients and credit consumers

- › Deposit products
- › Non-cash payment facilities
- › General insurance (except consumer credit insurance)
- › Life insurance
- › Superannuation
- › Simple managed investment schemes
- › Commonwealth debentures, stocks or bonds



- › Listed domestic or recognised international securities
- › Company securities under a crowd-sourced funding offer
- › Consumer credit contracts which have certain features including a term of no more than 4 years, and a credit limit of between \$2,001 and \$25,000.

What to do if you are eligible to use the enhanced regulatory sandbox

Next steps:
You should read Information Sheet 248 Enhanced regulatory sandbox (INFO 248) for more details on exemption conditions and obligations, and how to apply.



What to do if you are not eligible to use the enhanced regulatory sandbox

Other options:
› Rely on an existing statutory exemption to test the financial service or credit activity
› Request individual relief from ASIC
› Act on behalf of an AFS or credit licensee
› Apply for an AFS or credit licence from ASIC.



- Innovation Hub ERS webpage (asic.gov.au/for-business/innovation-hub/enhanced-regulatory-sandbox)
- Information Sheet INFO 248
- ERS Infographic



Crypto-assets as underlying assets for ETPs and other investment products – CP 343

- **CP 343 consulted on good practices** for market operators and issuers of exchange traded products and MISs that provide exposure to crypto-assets
- **43 submissions** (32 public and 11 confidential) from a range of parties received by mid-August. We are currently considering feedback.
- **ASIC considering** with a view to publish final positions Q4 2021



CP 343 Feedback themes

- Overall support for developing good practices to facilitate exchange traded products and investment products that provide exposure to crypto-assets
- Ask ASIC to reconsider approach to eligible underlying cryptos for quoted products
- Ask ASIC to reconsider approach to new licensing category for registered MIS with underlying cryptos



APRA Update

Stephen Rutherford, Senior Manager, Licensing,
Regulatory Affairs & Licensing

Nick Palmer, Senior Manager, Licensing, Regulatory
Affairs & Licensing



APRA's updated approach to licensing new banks

Stephen Rutherford

21 September 2021

To see a copy of the presentation, please watch the recording of the forum available below

[Financial Innovation: Regulator Meet-up, 21 September 2021 - YouTube](#)



ACCC Update

Paul Franklin, Executive General Manager,
Consumer Data Right

Kat Savelli, Acting General Manager, Solution
Delivery & Operations



Australian Government



Consumer
Data Right

Consumer Data Right

Paul Franklin and Kat Savelli

21 Sept '21
ASIC Fintech

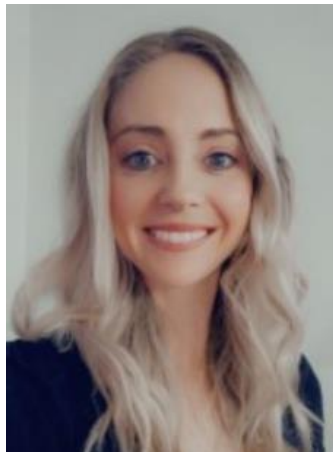
Agenda

1. Introductions
 - Paul Franklin
 - Kat Savelli
2. Strategic Objectives
3. Technology Solution Overview
4. Participant Tooling Overview
5. Plans for the future
 - Rules v3 (Participation Pathways)
 - v4 (Energy)
6. Questions

Welcome

Paul Franklin

Executive General Manager
Consumer Data Right Division



Kat Savelli

A/g General Manager Solution Delivery and
Operations Branch
Consumer Data Right Division

Strategic Objectives

Improve market outcomes by reducing information asymmetries through Consumer Data Right

The Consumer Data Right (CDR) provisions of Part IVD of the CCA aim to create more choice and competition by:

- allowing consumers to request businesses to disclose the consumer's own data, either to them or to an accredited person who can use that data to provide services to the consumer
- requiring businesses to make product information easily accessible to any person.

The key activities we undertake to achieve this strategic objective are:

- deliver the enabling technology solutions for the Consumer Data Right
- support participants, including testing and on-boarding
- accredit Consumer Data Right data recipients
- promote compliance with and enforce the Consumer Data Right rules and standards.



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Data Right

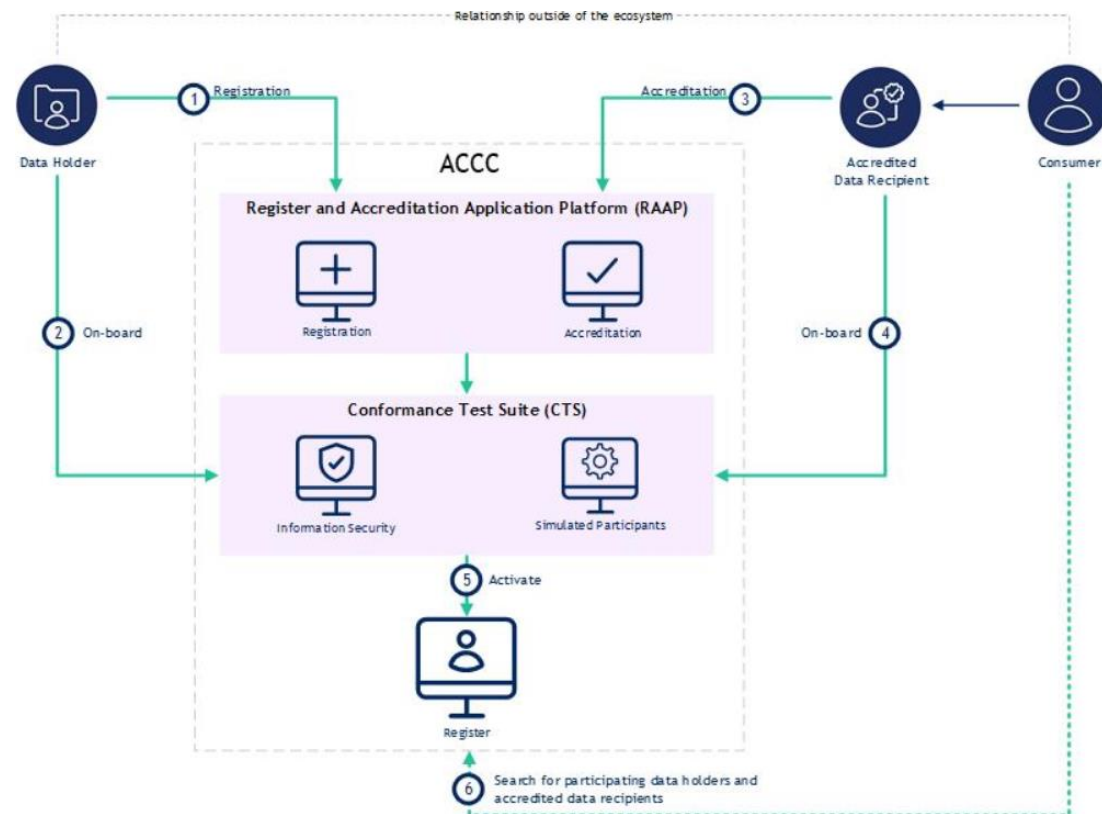
Technology Solution Overview



Technology Solutions

The ACCC is responsible for building and operating the Register and Accreditation Application Platform (RAAP) that provide the following:

- Facilitate CDR Registration and Accreditation for new participants
- Provide technical mechanisms for Data Holders and Accredited Data Recipients to establish trust with each other
- Enables the Registrar to manage the lifecycle of participants
- Collects metrics from Data Holders to keep a pulse on the ecosystem and provide data for compliance purposes





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Mock Register, Mock Data Holder & Mock Data Recipient Participant Tooling Pilot



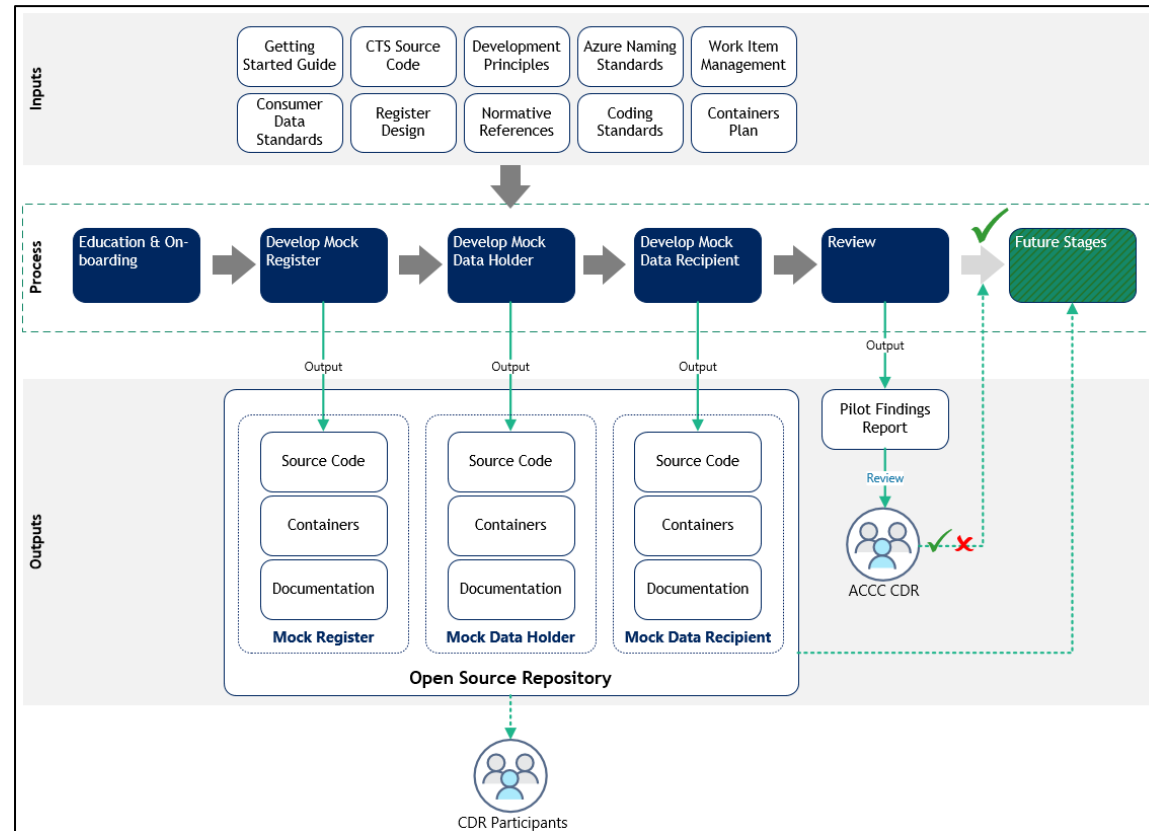
Mock Solutions Overview

The mock solutions are intended to encourage participation within the Consumer Data Right ecosystem. They provide all new and prospective participants with pre-development tools before they enter the ecosystem and assist industry to understand the CDR ecosystem technical requirements.

The development of these tools were guide by the principles that the solutions should be portable, well document, independent and future proof.

The components of the mock solutions currently consist of the following:

- Mock Register
- Mock Data Holder
- Mock Data Recipient

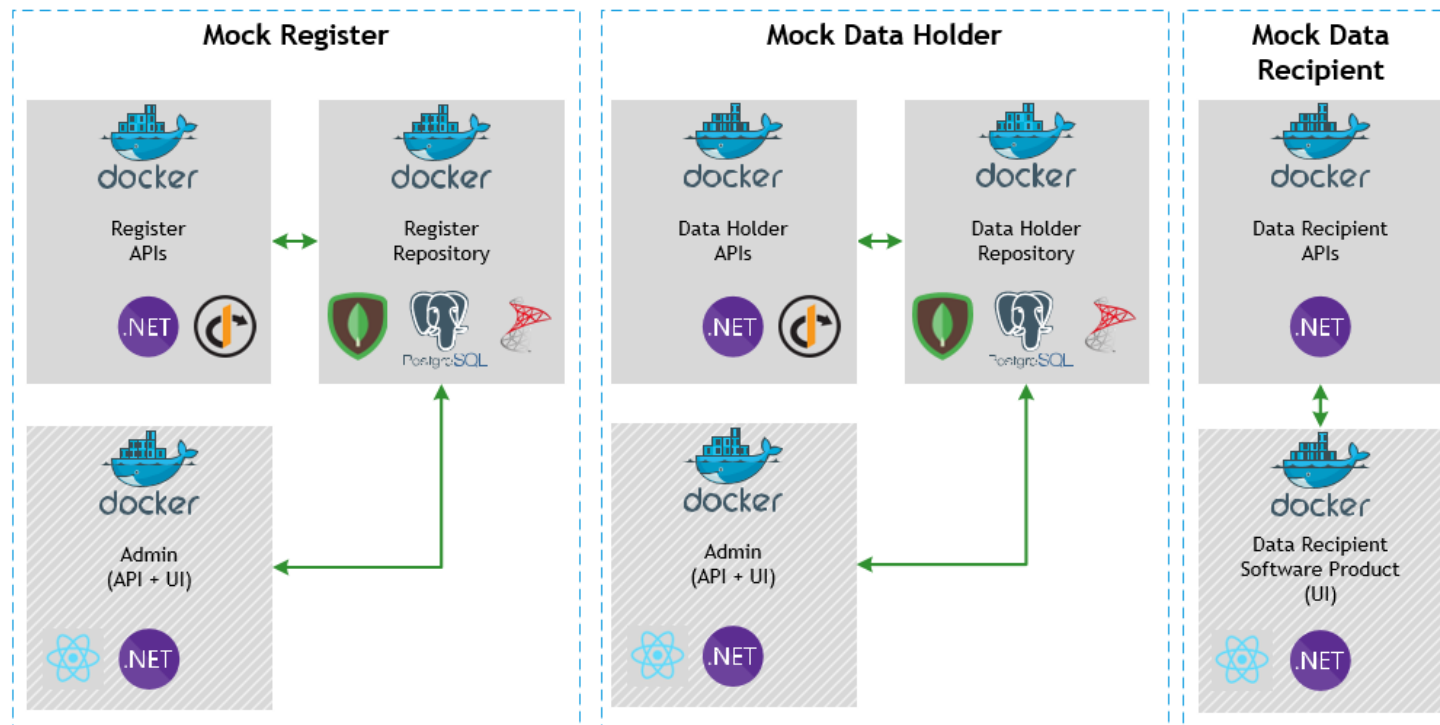


Mock Solutions Architecture

The diagram below outlines the proposed use of containers for each of the mock solutions. Each container includes the relevant technical components for each solution (e.g. APIs, Repository and User Interface).

These components have been packaged into containers, and made available as open source solutions to allow all participants to:

- Download the relevant containers for their specific needs
- Deploy the solutions to an environment of their choice Run the containers and immediately begin interacting with the mock components



Mock Solutions Roadmap

Q4/2021

- Release of the following 'open source' mock solutions for the Banking Sector
- Mock Data Recipient
- Mock Data Holder

2022 Onwards

- Uplift of the Mock Register to support Energy, and future sectors
- Development of the Mock Data Holder and Mock Data Recipient for the Energy sector
- Development of a Mock Data Provider to support sector specific requirements (AEMO)
- Considering provision of a hosted sandbox environment with deployed mock solutions to facilitate industry multilateral testing



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Plans for the Future



Version 3 - Rules

Close collaboration is in progress with Treasury to align timing expectations of the Participation Pathways and Reporting Obligation changes to be enabled by the ACCC.

The ACCC anticipate that once the Rules are made, a number of notification and accreditation changes will be available shortly afterwards, with other changes available from early 2022.

NB. Further details will become available once the Rules are made by the Minister.

Accompanying the work in progress for V3 is work to the Register and Accreditation Application Platform to mature into a more sector-agnostic solution.

This will benefit Energy and future sectors, to ensure that a common CDR foundation can be utilised on a whole-of-economy basis. This will enable efficient cross-sector data sharing to occur, and support Accredited Data Recipients to utilise the full suite of CDR data available to provide services to consumers.

Energy

Work to analyse, design and build is currently in progress to enable the launch of CDR for the Energy sector, per the rules and dates that Treasury have defined in the draft Version 4 (Energy) rules.

Energy launch planning is also under way, which will determine the testing approach for Energy data holders, including lessons learned from the Banking implementation.

The Energy sector will benefit from Banking being launched first with the CDR ecosystem and technical architecture now proven and stabilised. The understanding of CDR Rules, Consumer Data Standards, and implementation activities has also matured considerably since initial test activities before launch.

Taking all of this into consideration, we expect that there will be efficiency and efficacy gains for Energy launch activities, however successful launch will still be highly dependent on the quality of testing by Data Holders and Accredited Data Recipients.

Questions





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