

A1Q1 Do you agree that we should put in place additional measures to facilitate innovation, or maintain the status quo? Please provide reasons.

I totally agree ASIC should put in place additional measures to facilitate innovation. The status quo isn't ideal for either ASIC or new businesses. On the contrary, the measures will be good for both parties.

A1Q2 What benefits do you consider will result from our proposed approach?

It's long term benefits will ripple through the fintech/startup community and the economy more broadly in the following years, which can only be a good thing. It's a tough thing to quantify right now but imagine how much value Silicon Valley has brought to the US economy. Conversely, imagine what that country/economy would be like without the innovation that stemmed from that community.

A1Q3 What disadvantages do you consider will result from our proposed approach?

Regarding the sandbox, I have a few concerns over the small number of clients allowed and the sponsorship model, but this could change before it's roll out next year. I'd be interested in learning more about the sponsorship model and it's costs before saying it's necessarily a bad thing. It'd suggest increasing the number of retail clients to 500 clients. It will give the new business model more of a chance to tests its viability.

A1Q4 Are there any other options we should consider to meet our regulatory objective of further facilitating innovation, while ensuring that appropriate protections apply to all financial consumers?

Consider increasing the number of types of AFSL. At the moment there are relatively few types of licence compared to the number of financial services in Australia and being developed. More specific licences then could have greater control and more appropriate licence and RM requirements.

B1Q1 Do you agree with this proposal? Please give reasons for your answer.

Yes. When we applied for an AFSL, one RM was accepted and one wasn't but we had no idea why one was rejected given he had decades of relevant experience and what we believed to be the right qualifications.

B1Q2 Do you think the examples provided below are helpful? If not, why not?

Yes. Greater clarification will also help ASIC process applications faster. Applicants will make sure they meet the requirements before applying and it will save a lot of unnecessary delays.

B1Q3 Subject to the other proposals in this paper, is there anything else you think we should cover in our updated guidance on Option 5 of RG 105?

No

C1Q1 Do you agree with this proposal? Please give reasons for your answer.

Yes, it's a win-win. For start-ups, it allows them to test and validate their ideas in a safe environment that isn't cost prohibitive. Importantly, it also gives them the opportunity to fail fast without spending vast amounts of money on getting regulatory approval that they never end up needing.

For ASIC, it helps them keep up to date with a rapidly changing environment and allows them to be more agile.

C1Q2 Do you agree the exemption should only apply to new Australian businesses? If not, who else should be eligible, why and on what conditions?

Not really. Given it's proximity and similar regulatory frameworks, I think it is common sense to include New Zealand businesses.

C1Q3 Please estimate any cost savings that a new business would expect to realise from this change

The sandbox would reduce compliance costs of a new fintech start up of between \$3000 and \$45000 with most new companies saving at least \$10,000.

This amount is significant. Not only does it allow a new business to use that money to fund research and product development, but it also removes a barrier to innovate for smaller startups.

C1Q4 Please estimate any additional costs or savings that consumers might be expected to incur as a result of this change.

This is incredibly hard to estimate. My current business saves international travellers an average of about \$67 (compared to a bank) and saves our money transfer customers an average of \$730. So it really depends on the product, pricing and incumbents in each market.

A lot of the savings will be in time not money. The New Payments Platform (NPP) which is due to be released next year by the RBA, will no doubt create a number of new businesses that could use the sandbox. In these cases, the additional savings to the customer will largely be in the near instant money transfers the system can provide, rather than a dollar and cent amount.

C2Q1 Our industry-wide proposal only covers giving financial advice and arranging for other persons to deal in a financial product. Do you believe there are other financial services that should be covered by the licensing exemption? If so, what risks would a wider exemption create and how could these risks be mitigated?

Yes, there are a range of financial services that should also be covered, such as money transfers, particularly with the increasing adoption of blockchain technology.

Of course there would be risk in a wider exemption but if the same controls are in place, it could be contained.

There is a risk of not covering other financial services in that they may operate without a licence.

C3Q1 Do you agree with this proposal? Please provide reasons for your answer.

Yes

C3Q2 Are there issues related to innovative services from existing licensees that could be dealt with on an industry-wide basis? If so, what are they?

No

C4Q1 Are the retail client exposure limits we have identified appropriate?

Yes and No. The \$10,000 limit and total exposure of \$5,000,000 are appropriate but the limit of 100 customers is too low.

C5Q1 Do you believe that testing businesses will be able to obtain professional indemnity insurance to compensate retail client losses?

No. The insurance industry is not set up for innovative businesses. If they do not understand the business, insurance companies will not issue any insurance.

C5Q2 What other compensation arrangements could be used by testing businesses (e.g. group cover or mutual fund schemes)? What practical issues exist with other compensation arrangements?

Group cover would be used however the administration of such cover would be difficult. Perhaps it could be run through FOS?

C7Q1 Do you support the requirement for a testing business to be 'sponsored' by an industry organisation? Please give reasons for your answer.

No. It adds a layer of complexity and cost, effectively offsetting the benefits of the sandbox previously discussed.

C7Q5 What costs, if any, would testing businesses incur in obtaining sponsorship?

Unfortunately, this will be set by the sponsor, not the testing business.