



ASIC
Australian Securities &
Investments Commission



Sydney fintech start-up **meet-up**

The latest from ASIC's
Innovation Hub and APRA

17 October 2018





Tonight...



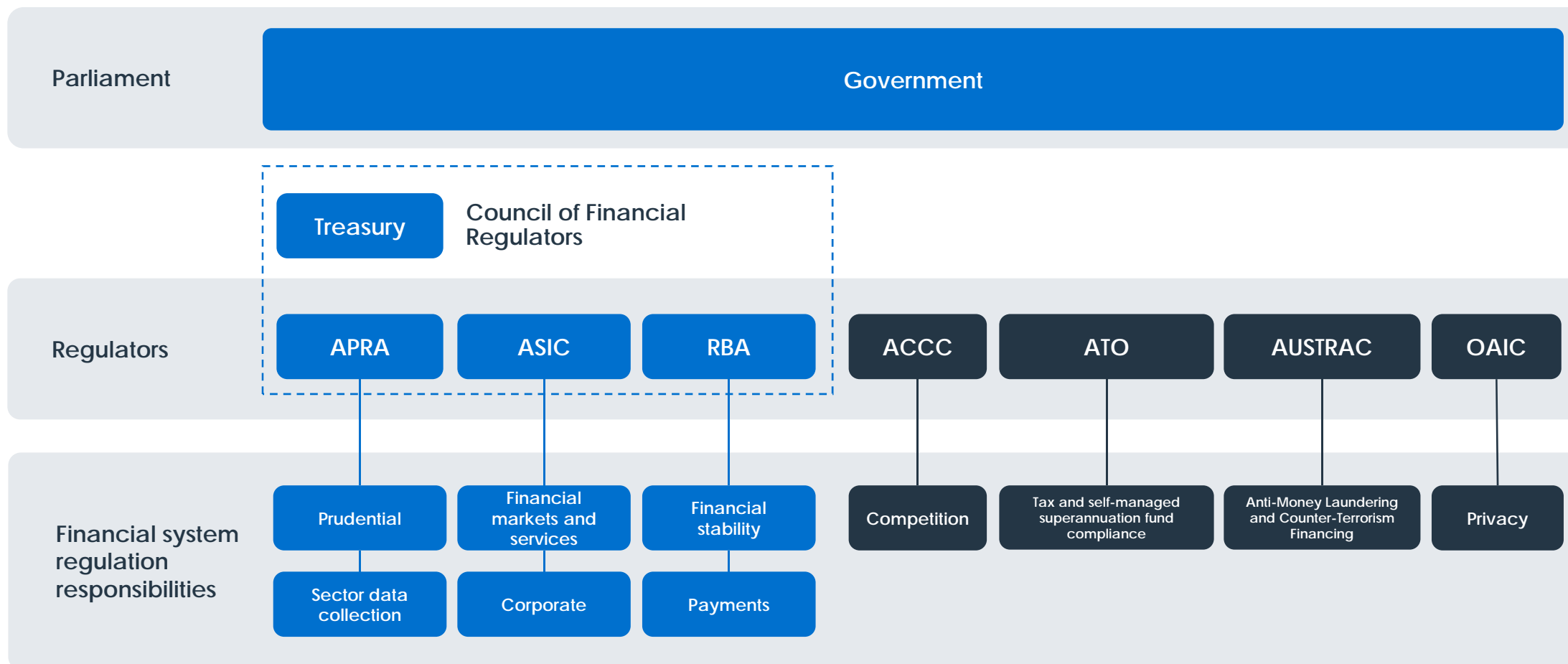
John Price - Commissioner | ASIC

Mark Adams - Senior Executive Leader Strategic Intelligence and Innovation Hub
Coordinator | ASIC

Jonathan Hatch - Senior Advisor | Innovation Hub | ASIC

Ahn Tran and **Daniel Chippeck** - Licensing | APRA

Australia's financial regulatory framework



Source: FSI Interim Report 2014

ASIC is Australia's corporate, markets, financial services and consumer credit regulator




Our challenge is finding the balance between:


- Encouraging fintech and innovation: and
- Not compromising on our core goals of promoting investor and consumer trust and confidence; and ensuring markets operate in a fair, orderly and transparent way.





296
Entities requested and received informal assistance



67
Meetings with regtech entities



65
New AFS/credit licences granted



16
Variations of existing licences



6
Sandbox entities

Informal assistance

- Why do we provide informal assistance?
- How could you benefit from our informal assistance?
- What do we expect from you?
 - ✓ Review the eligibility criteria;
 - ✓ Consider the timing of your request; and
 - ✓ Be specific on the regulatory issues you need our assistance for.



ASIC's Licensing Team



- The Licensing Team's work comprises various work streams with applications making up the bulk (70%) of our workload
- In FY2017/18 ASIC received 2,550 applications (approx. 10 per working day)
- 60 (2%) were fintech applications

ASIC's Licensing Team



	AFSL (new and variations) (FY 2017/18)	ACL (new and variations) (FY 2017/18)	Fintech applications (FY 2017/18)	Fintech applications (2015-to date)
Assessed or under assessment	1,728	822	60	126
Approved	758	430	31	84
Rejected from lodgement	196	72	8	10
Withdrawn	202	114	11	22
Refused	11	0	0	0
Continuing	561	204	10	10

Licensing assessment process

1. Application is submitted online through ASIC's eLicensing Portal
2. Complete application portal (will be revised in 2019)
3. Provide 'proof' documents in support and pay application fee
4. Completeness checked (if failed, is 'pre-lodge rejected' – no charge, if passed for assessment, fee is paid/payable and not refundable)
5. Assessment undertaken (review of information, intelligence checks, other regulatory agencies including internationally etc.)
6. Decision in principle to grant or refuse application made (reviews are possible)

Licensing performance and statistics

ASIC Service Charter:

- **70%** of licence applications within **150** calendar days
- **90%** within **240** calendar days

Licensing decisions - FY 2017/18



	25% within	50% within	70% within	90% within
AFSL	36 days	67 days	126 days	253 days
ACL	36 days	59 days	106 days	253 days
Fintechs (both AFS and ACL) – FY17/18 only	19 days	80 days	136 days	222 days
Fintechs (both AFS and ACL) – 2015-to date	54 days	116 days	164 days	271 days

Fintech business models



Marketplace Lending	14%
Robo Advice	10%
Non-Cash Payment	17%
Consumer Credit	16%
Other (e.g. intermediary related such as trading and comparison apps, custody)	10%
Crowdfunding Platform Intermediary	33%
Total	100%



Key issues for efficient licensing 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

Getting a licence as soon as possible...

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.

International engagement

- Fintech cooperation agreements:
 - Referrals for fintechs
 - Information sharing between regulators
 - Latest agreements entered with CSSF (LUX) and CFTC (USA) – 16 in total
- Global Financial Innovation Network
 - Consultation is underway
- IOSCO Fintech Network

Licensing exemption for fintechs



GENERAL CONDITIONS

You must:

- ◆ Have no more than 100 retail clients (unlimited wholesale clients)
- ◆ Plan to test for no more than 12 months
- ◆ Have total customer exposure of no more than \$5 million
- ◆ Have adequate compensation arrangements (such as professional indemnity insurance)
- ◆ Have dispute resolution processes in place
- ◆ Meet disclosure and conduct requirements



WHAT SERVICE DO YOU WANT TO TEST?

✓ Eligible

- ◆ Providing advice
- ◆ Dealing in or distributing products

⊘ Not eligible

- ◆ Issuing my own product
- ◆ Lending money to consumers
- ◆ Operating my own managed investment scheme (e.g. a marketplace lending platform)



WHAT PRODUCTS WILL YOU BE ADVISING ON OR DISTRIBUTING?

✓ Eligible

- ◆ Deposit products, with a maximum \$10,000 balance
- ◆ Payment products, if ADI-issued and with a maximum \$10,000 balance
- ◆ General insurance, for personal property and home contents and with a maximum of \$50,000 insured
- ◆ Liquid investments, for listed Australian securities or simple schemes and with a maximum \$10,000 exposure
- ◆ Consumer credit contracts with certain features, and a loan size of between \$2,001 and \$25,000

⊘ Not eligible

- ◆ Other products



ELIGIBLE?

Next steps

Read Regulatory Guide 257 for more detail on exemption conditions and on notifying ASIC that you will rely on the licensing exemption for fintech testing



NOT ELIGIBLE?

Other options

- ◆ Rely on another exemption to test the service and product
- ◆ Request an individual waiver from ASIC
- ◆ Act on behalf of a licensee
- ◆ Apply for a licence from ASIC

Next steps

Read Regulatory Guide 257 for guidance on these options



ICOs and crypto-assets



- ASIC is addressing interest from consumers, investors, entities, advisors, service providers and intermediaries
- Engaging and sharing information with domestic and overseas regulators
- ACCC delegation of power
- A focus on misleading or deceptive conduct
- There are a number of instances where ASIC has intervened
- Information Sheet 225 provides guidance for entities considering ICOs, including:
 - Legal status of ICOs and how Australian corporate and consumer law applies
 - Provides examples



ASIC's approach to regtech



- Working towards outcomes in regulatory technology that align with our strategic priorities and approach to innovation
- Undertaking a number of focused initiatives that will deliver outcomes in the near term
- Learning from industry input, good international case studies and our own experience from engaging with the regtech sector
- Adopting a technology-neutral approach



ASIC's regtech initiatives – to date



- **Engagement** - with the regtech community (egs: showcase events and Liaison Forum)
- **Support networks** – collaborating and sharing information with our domestic and international regulatory counterparts
- **Guidance** - Providing informal guidance to regtech businesses
- **Trials** - Conducting our own trials (eg: ASIC's current NLP trials)



New regtech initiatives – funding for ASIC



- Over 2 years - \$6M
- Collaborative trials and ASIC-led trials of technology
- This financial year:
 - Collaborative trials – financial advice and promotions; phone distribution of insurance
 - ASIC development of a licensing Q&A wizard
- **What's different** – ASIC will make available datasets and focus on conduct related trials
- **Stay tuned** – we will want to work with collaborators and participants



Licensing Unit engagement

Licensing@APRA.gov.au

October 2018

Agenda



- **APRA's licensing framework**
- **Licensing – common issues**
- **APRA's role and approach to innovation**

- APRA is the prudential supervisor
 - Balancing financial safety with efficiency, competition, contestability and competitive neutrality, while promoting financial stability.
- Centralised Licensing Unit - from 1 July 2017
 - Communication, Knowledge, Efficiency
 - Restricted ADI Framework
 - Engagement: early, pre-application, during the assessment
- Challenges for start-ups and new business models
 - Understanding the process and the framework
 - Capital, customer acquisition
 - New business models or approaches
 - New technology – from Blockchain to AI
 - Cloud
- Challenges for the regulator
 - Volume of applications
 - Competition vs competitive neutrality
 - New/innovative models setting precedents
 - Financial system safety, and the broader ramifications of any single failure

Licensing – engagement & common issues



- Pre-Application stage – irons out show stoppers and leads to better quality applications and understanding on both sides
- Application timeframes – applicant’s expected timelines not allowing sufficient time to address APRA’s feedback
- Prudential Standards – applicants need to understand ADI prudential standards and practice guides
- Submission of application – by risk areas with less drops will assist in a more efficient process and reduce APRA’s assessment time
- Staff skill set – need experience in banking and establishing policies and procedures



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ASIC's
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