

**Welcome to the BRII Challenge Webinar.**

**Using technology to help identify poor and assess poor market disclosure by listed companies.**

**Today you will hear from Business Research and Innovation Initiative (BRII) and the Australian Securities and Investment Commission (ASIC).**

**The presentation will start shortly and will be recorded. The recording will be available online in a couple of days.**





Australian Government  
Department of Industry, Science,  
Energy and Resources

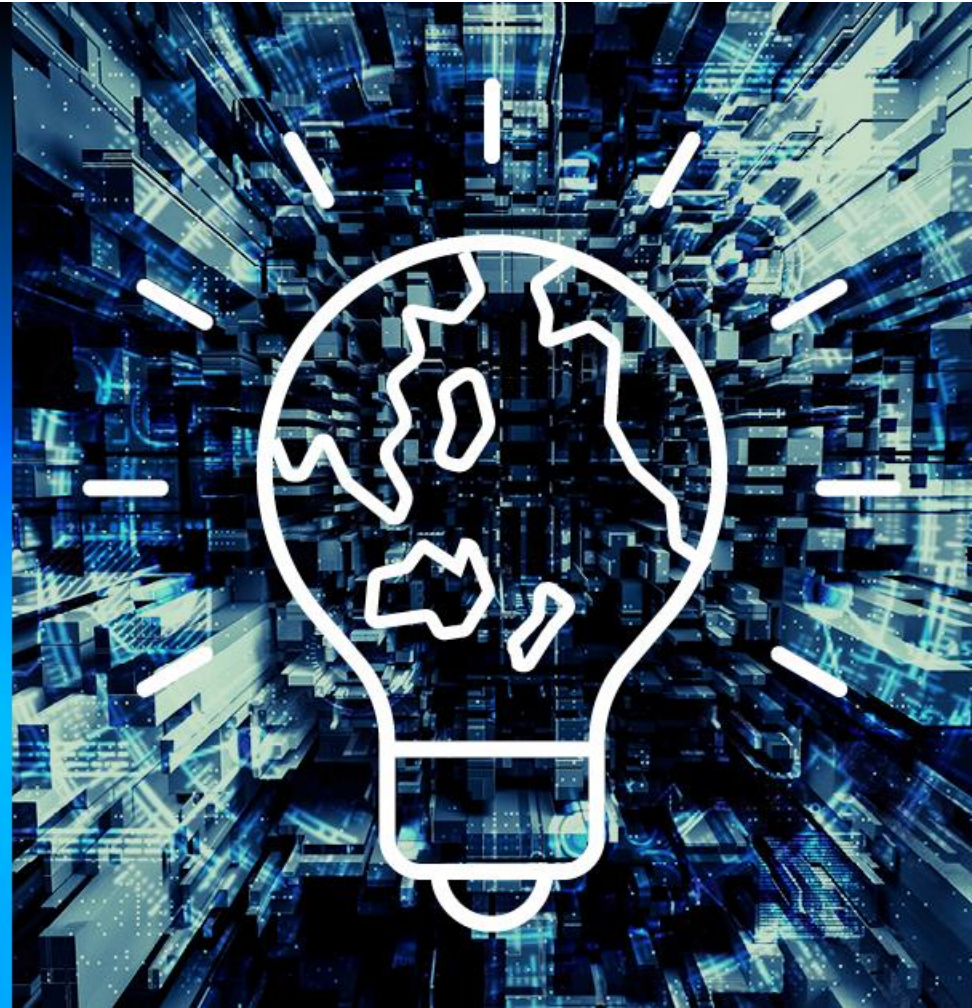
**AusIndustry**  
Business Research  
and Innovation Initiative

# Impossible?

.....  
**Can you see the possible  
in the impossible?**

- >> Four challenges
- >> \$1.1 million each
- >> Could your idea  
be the brightest?

*Authorised by the Australian Government, Canberra.*



Government agencies  
**propose challenges**



SMEs apply, proposing a  
**new solution**



Best 5 (approx.) **funded**  
**for feasibility** for each  
challenge



# HOW DOES IT WORK?

Best 2 (approx.)  
**funded for proof of concept**  
for each challenge

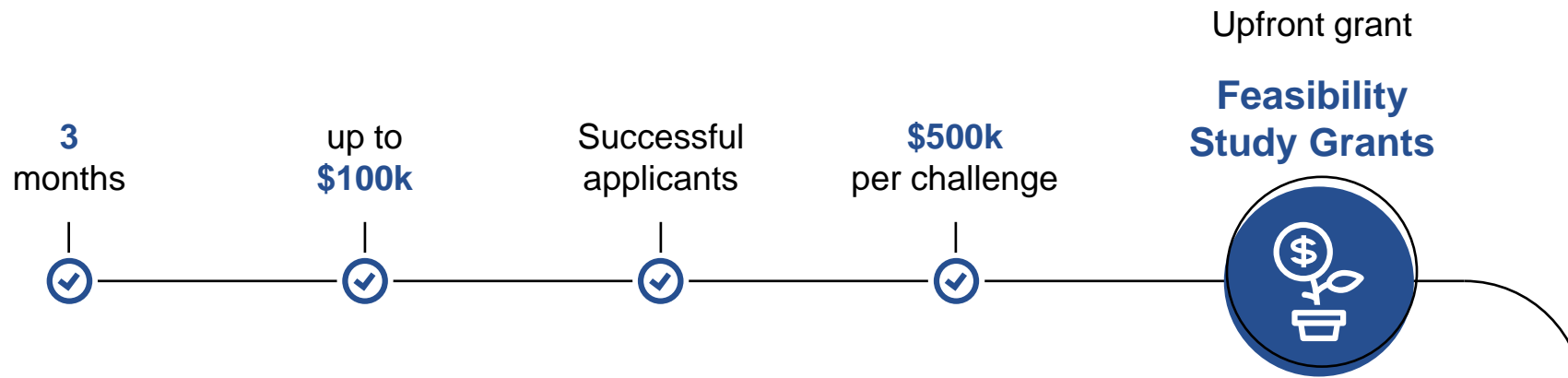


Agencies/Industry  
consider **buying the**  
**solution**



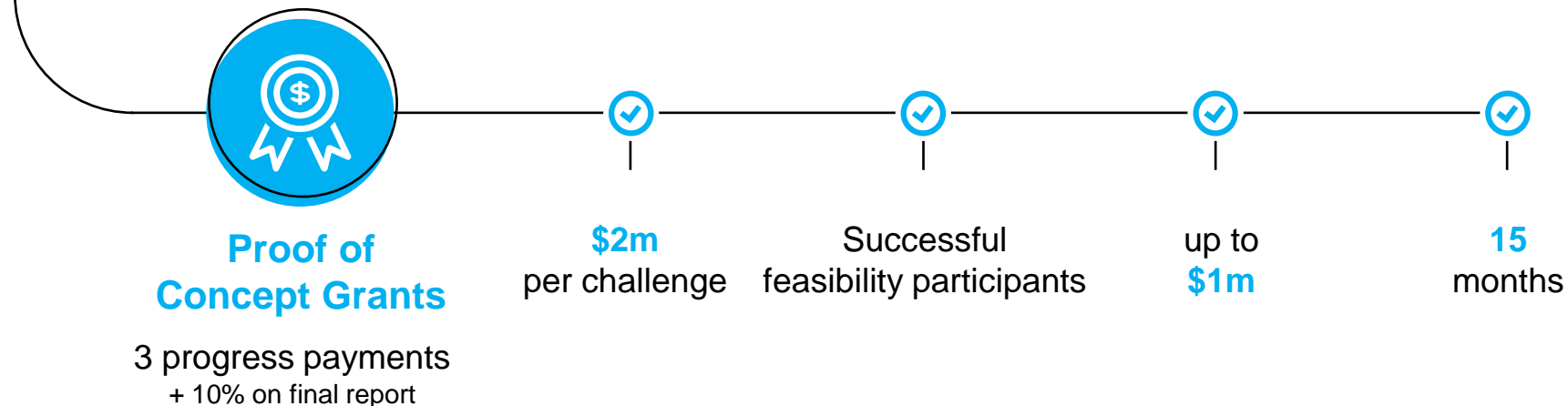
SMEs go on to sell the  
**new solution worldwide**,  
utilising their own IP

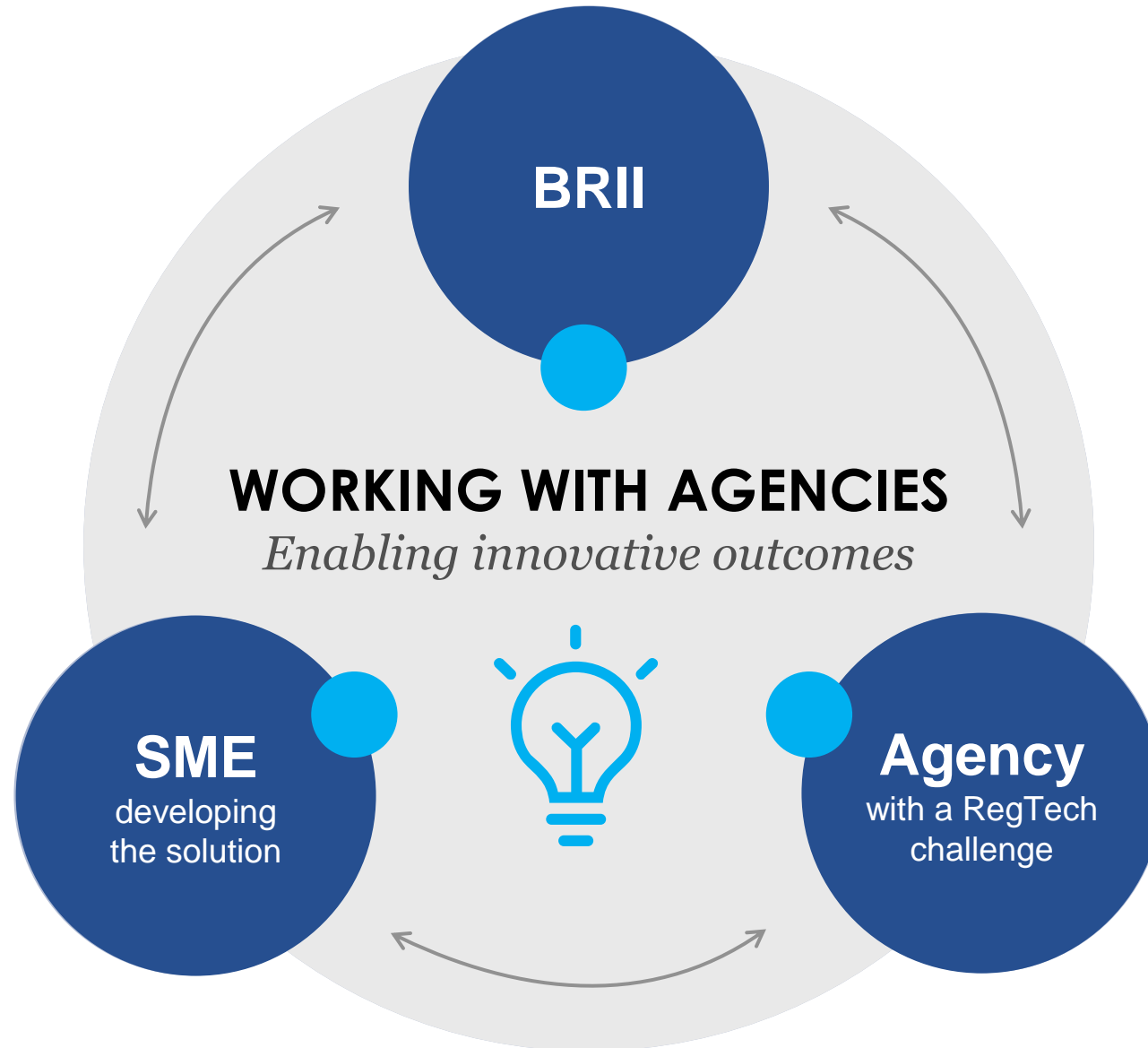




# BRII FUNDING & CASH FLOW

*Upfront payments to help your cash flow*







# MAXIMISE YOUR OPPORTUNITY FOR SUCCESS

- ✓ Accelerated growth through significant funding of up to \$1.1m per challenge
- ✓ New market exposure and opportunities for future investment and development
- ✓ Government as a potential customer
- ✓ Businesses retain all IP rights for domestic and global commercialisation
- ✓ Explore spin-off products
- ✓ Potential for additional funding for commercialisation
- ✓ Avoid the uncertain and expensive new product development cycle
- ✓ Potential for procurement
- ✓ Secure capital pre-proof of concept
- ✓ Access to business development & commercialisation assistance

# ELIGIBILITY



ABN

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Turnover of <\$20m\*

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Start-ups, SME's and newly established businesses

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Individuals or Partnerships\*

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For more information see BRII Grant Opportunity Guidelines on [business.gov.au/BRII](https://business.gov.au/BRII)

# INELIGIBLE

- ✘ No ABN
- ✘ Government agencies (Federal/State/Local)
- ✘ An organisation included on National redress Scheme



For more information see BRII Grant Opportunity Guidelines on [business.gov.au/BRII](https://business.gov.au/BRII)





# MERIT CRITERIA

- 1 Extent that your proposed solution meets the challenge
- 2 Market opportunity of your proposed solution
- 3 Capability, capacity and resources to deliver the project

For more information see BRII Grant Opportunity Guidelines on [business.gov.au/BRII](https://business.gov.au/BRII)



**BRII**

*A business changing  
commercial opportunity*



**Lodge your application**  
[www.business.gov.au/BRII](http://www.business.gov.au/BRII)



**Applications Close**  
Thursday, 3 June 2021



**Further information**  
Call us 13 28 46  
[Business.gov.au](http://Business.gov.au)

BUSINESS RESEARCH AND INNOVATION INITIATIVE (BRII) – REGULATORY TECHNOLOGY ROUND

## Help us solve government challenges

*Last Updated: 22 April 2021*

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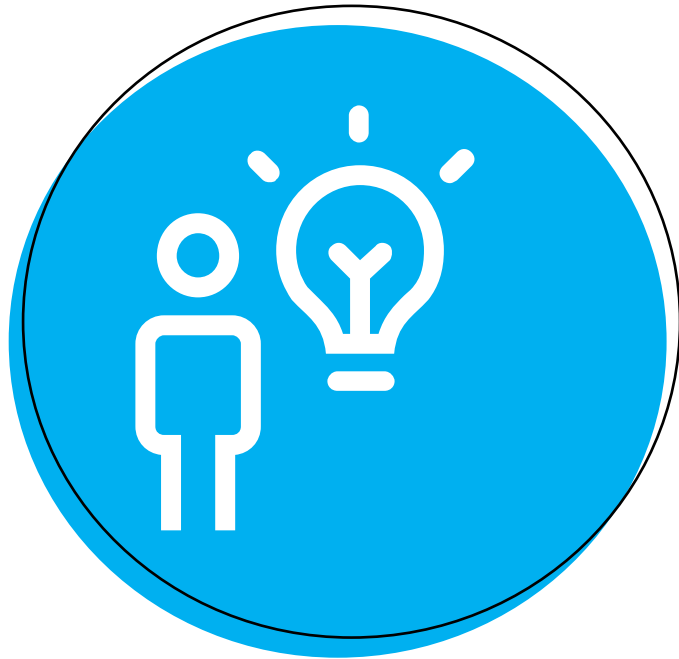
If you are a new applicant or existing grantee and have been impacted by COVID-19 or a natural disaster, please contact your Customer Service Manager or one of the agents at our [Contact Centre](#) to discuss your circumstances and how we can assist you.

You can find more information and support on our [Emergency management](#) page.

## Business Research and Innovation Initiative (BRII) – Regulatory Technology Round

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# BRII – Regulatory Technology Round



Develop an innovative technology



That streamlines or enhances regulatory compliance



Making it easier, faster and cheaper for businesses to comply with regulation



# THE FOUR CHALLENGES



Using technology to help identify and assess poor market disclosure by listed companies



Using technology for remote and automated monitoring of export livestock health and welfare



Using technology for a streamlined path to marine autonomous systems assurance



Using technology for real-time and accurate asbestos testing



**ASIC**  
Australian Securities &  
Investments Commission

# Business Research and Innovation Initiative (BRII) – Regulatory Technology Round

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

Scott Barber, Chief Data & Analytics Officer, ASIC

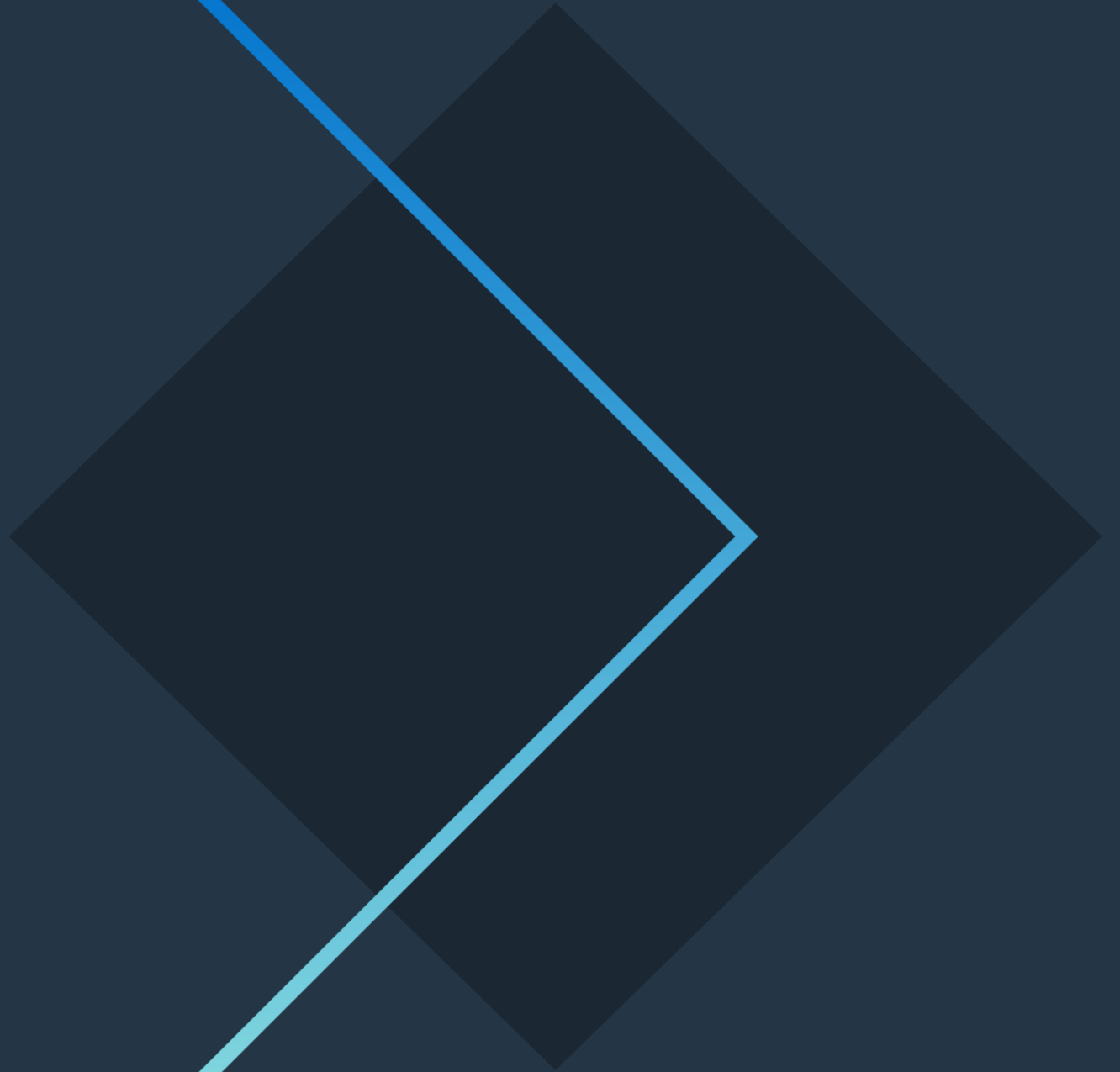


# Agenda

- **Background**
- **ASIC's BRII Challenge**
- **ASIC Assistance for RegTech  
SMBs**

# Background

ASIC and its interest in this opportunity







# Who is ASIC? What is our role?

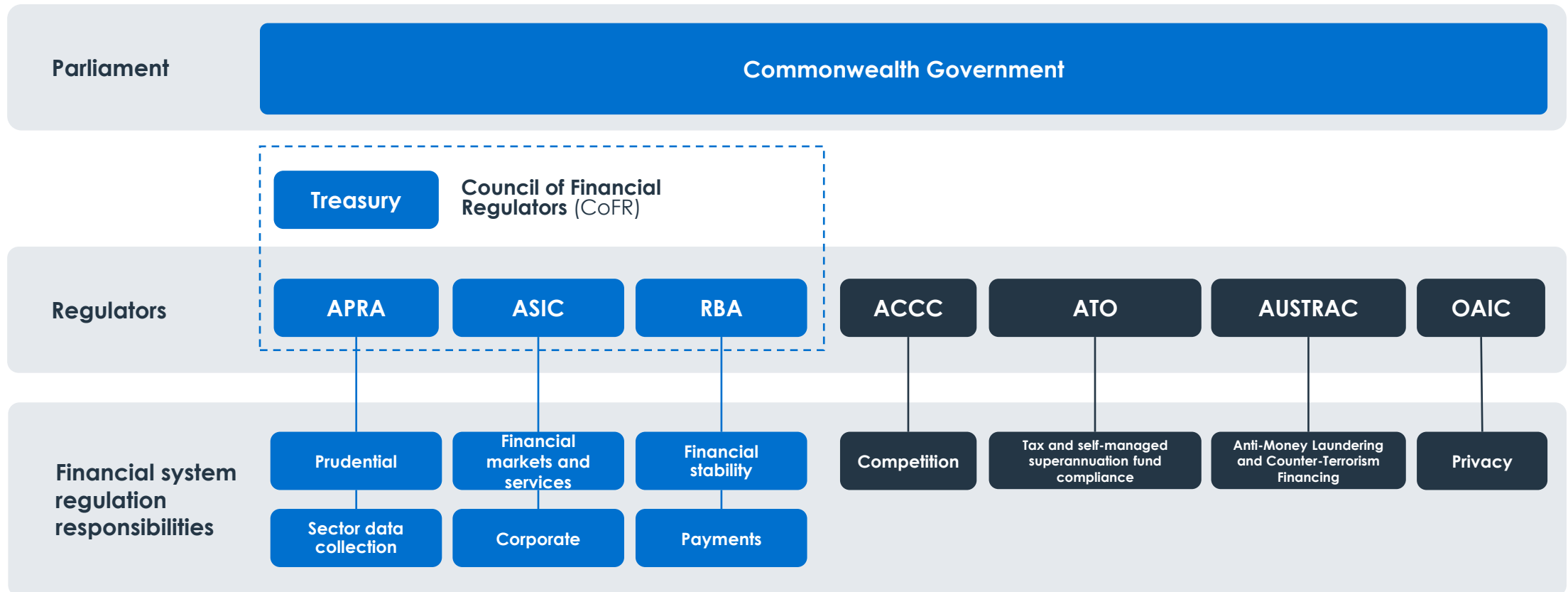
**ASIC is Australia's corporate, markets, financial services and consumer credit regulator**

**Our vision for a fair, strong and efficient financial system for all Australians.**

**Our current strategic priorities focus on:**

- protecting consumers from harm at a time of heightened vulnerability
- maintaining financial system resilience and stability
- supporting Australian businesses to respond to the effects of the COVID-19 pandemic
- continuing to identify, disrupt and take enforcement action against the most harmful conduct
- continuing to build our organisational capacity in challenging times.

# ASIC's place in the regulatory framework



Source: FSI Interim Report 2014



# Our interest in innovation

**ASIC is focused on the vital role that technology plays in reshaping financial services and capital markets**

**ASIC believes that technology has the potential to do three things:**

1. Reduce the cost and improve the efficiency of product and service delivery;
2. Empower customers by enabling them to deal directly, more seamlessly, and more flexibly with product and service providers; and
3. Empower businesses by enabling them to deliver a better value proposition and customer experience to their customer base.



# Our interest in RegTech

**RegTech has enormous potential to help organisations build a culture of compliance, identify learning opportunities, and save time and money relating to regulatory matters**

**ASIC's approach to RegTech is guided by a set of basic principles that include:**

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

# ASIC RegTech Initiatives: 2018-20 Events

ASIC designed a series of RegTech and supervisory tech (SupTech) initiative projects to promote the development and utility of innovative solutions by financial services organisations to deliver better regulatory compliance and consumer outcomes, positioning Australia as a leader in RegTech.

## RegTech Initiatives

- **Monitoring Financial Promotions Demonstration and Symposium** (August 2019)
- **Financial Advice Files Demonstration and Symposium** (August 2019)
- **Voice Analytics and Voice-to-Text Trial and Symposium** (September 2019)
- **Licensing Technology-Assisted Guidance (TAG) Tool Trial**
- **Remote services and supervision webinar** (July 2020)
- **Responsible lending demonstration webinar** (Aug 2020)

## SupTech Initiatives - recent examples

- **Financial promotions monitoring tool trial**  
Detection and identification of risk indicators of misconduct with financial promotions targeting and/or exploiting vulnerable consumers.
- **NLP prospectus review**  
Application of natural language processing to review prospectus information.
- **Voice analytics – internal framework**  
Building voice analytics capabilities to support teams with enhanced supervision and enforcement investigation.
- **NLP data flow automation and document scoring**  
Proof-of-concept projects seeking productivity improvements for our internal business teams through automation of data flows and prioritisation of advanced decision-making.



# ASIC's BRII Challenge

Using technology to help identify and assess poor market disclosure by listed companies



# Our challenge

## Challenge Summary – being a representative problem

**We are seeking an innovative technology solution to analyse market announcements (and other corporate disclosures) by listed companies and entities to help identify and assess poor market disclosure.**

## A solution of this kind would help ASIC to drive:

- automated analysis of high volumes of documents and materials
- greater cost efficiency by minimising time spent on manual review and assessment
- better targeting of its resources and supervisory focus, thereby reducing the regulatory burden on compliant listed companies.



# Listed company compliance obligations

This BRII challenge focuses on developing a technology solution to help ASIC analyse corporate disclosures and other datasets to identify and assess compliance by listed companies with a range of requirements, including:

- continuous disclosure (price sensitive disclosure) and other disclosure obligations to the market
- financial reporting obligations
- the prohibition against misleading or deceptive disclosure (such as misleading categorisation of market announcements)
- the prohibition against practices that manipulate the pricing of securities.





# Why is the challenge a regulatory issue?

**ASIC sees continuous disclosure by listed companies as a bedrock of market integrity. It is essential to two of ASIC's priorities: fair and efficient markets and confident and informed investors.**

- Investors (big or small) depend on assessing current and complete information about listed companies
- Investing based on incomplete or false information can create financial losses including indirectly via our superannuation
- Insider trading (by those in the know) and market manipulation (by misleading the market) undermines market integrity and confidence to participate in financial markets



# How do we supervise and intervene?

**We look for:**

- **poor disclosure by listed companies**
- **unusual pricing and trading activity.**

**We review disclosures and market activity on a risk based approach.**

**Our responses to poor disclosure include – in some cases, working with stakeholders:**

- Seeking market disclosure corrections
- Seeking trading halts; suspensions of trading in listed companies
- Acting on poor conduct as a deterrence effect – seek penalties
- Setting standards of conduct by listed companies, their officers and their advisers
- Banning bad actors



# Why is our supervisory role currently constrained?

Several underlying factors influence our capacity and ability to monitor and assess disclosures. Some of these include:

- Assessing **subjective or principle based** legal compliance
- **Manually reviewing** thousands of disclosure documents
- The challenge of identifying what is **not disclosed** as opposed to what is
- Detailed and accurate supervisory work **takes time**
- We need to monitor disparate data and intelligence sets – **insights are not easily brought together**
- Information we review may **not be in readily accessible** and/or uniform formats

# What is our goal with this challenge?

**The goal of the solution is to deliver a more efficient and effective way for ASIC to supervise and enforce conduct of business, disclosure and reporting obligations of listed companies**

## **Key requirements for the solution include:**

- assessing new information being communicated to the market by a listed company (such as through market announcements, price query letters and responses), and analysing it against historical market information from the company and other data sources to identify anomalies in disclosure
- comparing a listed company's market disclosures to sector peers to identify anomalies in disclosure
- comparing financial statements by a listed company with the company's market announcements and other data sources (including concerning the company's peers) for indicators of potential non-compliance with a company's financial reporting and related disclosure obligations.

# Additional requirements

The technology-assisted solution will be required to:

- source, collect and integrate market announcements, financial reports and other relevant data sources across a variety of formats
- integrate this data with any other data (e.g. web data, social data, etc.) where possible to get meaningful insights
- apply legal obligations, ASIC and industry guidance and other indicators related to listed company disclosures to the market
- efficiently and accurately identify anomalies and areas of concern across the materials and documents being assessed
- rank and prioritise risks of materials/documents being analysed
- extract key information from materials/documents to allow ASIC staff to be better informed of the features of the materials/documents being assessed
- automate (as far as practical) an explanation of ASIC's potential concerns with the material in question
- integrate with commonly used forms of IT architecture (including ASIC's) and related tools
- satisfy high security protocols in its design
- enrich analysis by considering other relevant extraneous data.

**ASIC requires RegTech SMBs to enter into a non-disclosure agreement with ASIC (given sensitivities of the subject matter)**

# What technology may be relevant?

On a non-exhaustive basis, our experience suggests these technologies may be relevant for any solution:

- artificial intelligence/machine learning
- advanced data analytics
- unstructured data processing
- image recognition
- optical character recognition (OCR)
- interoperable systems.

**ASIC is  
open to  
all ideas**





# What success looks like

## A solution of this kind would help ASIC to drive:

- automated analysis of high volumes of documents and materials
- greater cost efficiency by minimising time spent on manual review and assessment
- better targeting of its resources and supervisory focus, thereby reducing the regulatory burden on compliant listed companies.

## More importantly, a solution of this kind would:

- Be able to be used by listed companies to reduce the regulatory burden on them. These companies would be able to meet their risk management and compliance requirements in less time, using fewer resources.
- Help deliver enhanced market integrity and deliver better outcomes for investors and participants in financial markets.



# Wider solution benefits and opportunities

## Scalable within ASIC – the problem is representative

The solution can be adapted to address various responsibilities under ASIC's remit, allowing for the service to be scaled.

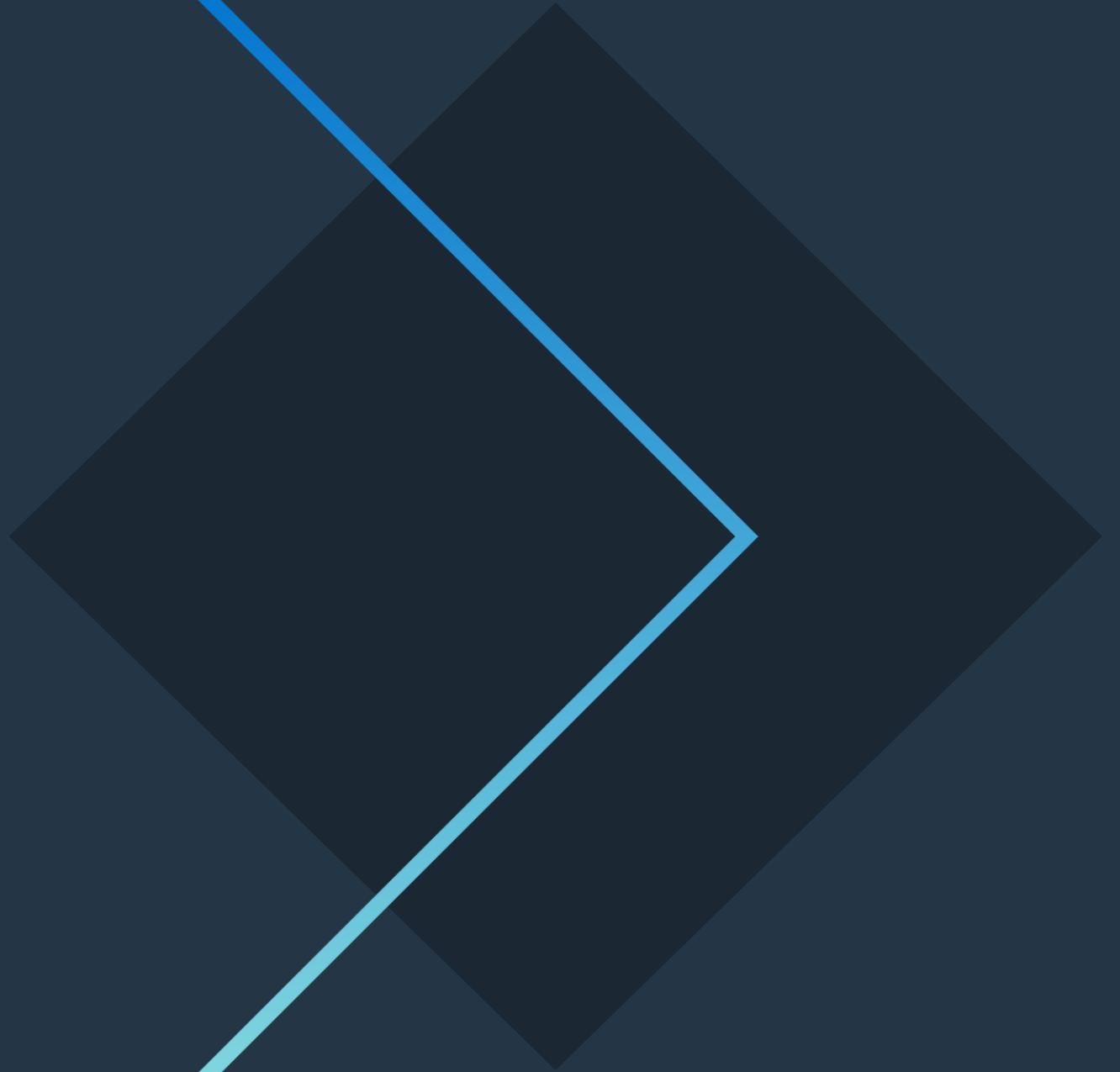
## Adaptable across sectors – for businesses and agencies

Iterations of this service solution will benefit not only other Australian regulators and agencies, but also all kinds of businesses by reducing the regulatory burden on them.

Beyond the scope of compliance within financial services and corporate law, variations of the solution can be developed to suit the growing incorporation of technology into other industries.



**ASIC assistance for  
Small-to-Medium  
Business grantees**





## Data sets



**ASIC's challenge is built on publicly accessible data – to make developing a solution far easier.**

The focus of this challenge is primarily market announcements, and there is scope to broaden the analysis to a wider set of documents (price queries, financial reports, disclosures and/or prospectuses) for a more robust RegTech solution.

Some datasets are more readily available than others. Some datasets are less digital friendly.

Where relevant - ASIC will assist in brokering access to the most useful forms of the data at little or no cost.

## Subject matter experts (SMEs)



**A wide collective of ASIC teams will provide expertise to support and mentor SMBs developing these solutions.**

Participating teams include: *Market Supervision and Infrastructure, Corporations, Insolvency, Financial Reporting and Audit, Strategy, Chief Data and Analytics Office, and the IT Solution Architecture team.*

Our SMEs will assist in highlighting technical and regulatory factors relevant to the solution. While the teams will not look to influence the direction of the solution, we will point out pitfalls and hurdles ASIC has previously experienced.



## Examples of ASIC assistance to RegTech SMBs

- Observe the utility of various datasets
- Provide guidance about the relevant regulatory obligations of listed companies
- Provide ideas about indicators of poor disclosure and conduct
- Provide examples of past poor disclosure and conduct
- Clarify attributes of ASIC's IT architecture and standard operating model
- Discuss past and current examples of ASIC RegTech and SupTech trials – practical learnings and insights
- Assist in arranging discussions with stakeholders (as needed)



# SMB and ASIC Technical Environment

ASIC will seek SMBs capable of developing, housing and demonstrating the solution within the SMB's environment.

Future iterations and further testing could also take place within a restricted version of ASIC's environment – our SMEs will be able to provide details on architecture compatibility.

Some other considerations include:

- Cloud services and data to be hosted in Australia
- Special consideration around hardware and software providers
- Appropriate security protocols to maintain confidentiality

## Questions

[innovationhub@asic.gov.au](mailto:innovationhub@asic.gov.au)

[asic.gov.au/for-business/innovation-hub/](https://asic.gov.au/for-business/innovation-hub/)

## Applications & Inquiries

[business.gov.au/BRII](https://business.gov.au/BRII)



Australian Government  
Department of Industry, Science,  
Energy and Resources

**AusIndustry**

# Thank you.

***This webinar with a transcript and factsheets will be available at  
[www.business.gov.au/BRII](http://www.business.gov.au/BRII)***

***Contact:  
[brii@industry.gov.au](mailto:brii@industry.gov.au)***

