

Article Information

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The Senate committee looking to make IT happen for financial services in Australia

The Senate Select Committee on Financial Technology and Regulatory Technology released its interim report on 4 September 2020, outlining a roadmap for innovation and R&D investment in the Australian financial services sector.

The roadmap for Australian financial services moving forward is one of innovation and R&D investment.

Pending their final report, the Senate Select Committee on Financial Technology and Regulatory Technology released its interim report on 4 September 2020, outlining preliminary issues and 32 key recommendations. The Committee was established in 2019 with the object of promoting sustainable growth in the Fintech and Regtech sectors. Over 180 submissions were made to the committee from companies including the Big Four Banks and a number of public hearings were held.

The findings of the report provide a number of valuable observations and recommendations categorised into five key categories - COVID-19 issues, tax, regulation, access to capital, and culture. Among other things, the key takeaways relevant to ACL and AFSL holders are set out below.

- The Committee considered the role of technology amidst the COVID-19 pandemic, proposing a number of amendments to the Corporations Act to allow for general meetings, shareholder communications and witnessing of documents to take place electronically.
- The report did not recommend tightening regulation of new products such as those in the Buy Now Pay Later (BNPL) sector. It maintained that industry self-regulation is an efficient means for innovative new products in financial services to emerge and provides an initial framework that can later be supplemented by a policy statement.
- It was recommended that the Government establish a new national regulatory body responsible for the implementation of the Consumer Data Right (CDR). The report proposed that consolidating national data policy under a single body will ensure greater efficiency and accountability.
- The Committee urged the ACCC, or the above proposed CDR body, to finalise the rules for intermediary and third party access to CDR banking data by late 2020. The report emphasised the role of non-accredited third parties and intermediaries as 'crucial elements' in the success of the CDR initiative.
- In light of the recent developments in Open Banking it was recommended that the Australian Government collaborate with the banking industry to execute targeted campaigns to inform consumers on the CDR and the benefits Open Banking. It was recommended the campaigns focus on communicating CDR as a safe and efficient mechanism for sharing personal financial information.
- The report also endorsed the expansion of the CDR to include other financial services beginning with the superannuation sector and subsequently followed by sectors such as insurance. The ACCC commented that each sector will raise novel issues that will need to be worked through before the possibility of an economy-wide rollout of CDR can be considered.

The recommendations were received positively by a number of stakeholders including Governance Institute CEO Megan Motto, who stated that the changes were long overdue^[1]. Afterpay CEO Anthony Eisen also welcomed the reports support for self-regulation, maintaining that our regulatory framework needs to "embrace and foster" innovation in the financial sector to deliver better outcomes for consumers^[2].

The report illustrates the Committee's evident focus on facilitating new technologies and innovation in fintech and regtech services. The Committee will continue to consider submission pending its final report on the 16th April 2021. The interim report will also be considered and inform the recommendations of the Australian Law Reform Commission who has recently been tasked with inquiring into the simplification of laws regulating financial services in Australia. This independent review forms part of the Australian Governments response to the findings of the Royal commission into Misconduct in the Banking, Superannuation and Financial Services Industry released in February 2019.

Key takeaways

- The Senate Committee on Fintech and Regtech released interim report.
- Report included 32 key recommendations.
- The report did not recommend tightening regulation of BNPL sector.
- The Committee proposed the establishment of a new regulatory body to monitor the CDR.
- The report recommended expanding the CDR and marketing campaigns to inform consumers on the CDR and the benefits of Open Banking.

If you would like further guidance on how the recommendations of the interim report may affect you or your business, please contact the author.

[\[1\] Governance Institute of Australia, 'Guide released to help organisations navigate new world of virtual AGMs' \(Media Release, 14 September 2020\)](#)

[\[2\] Clancy Yeates, 'Fintech inquiry warns against 'one size fits all' regulation, *The Sydney morning Herald* \(online\), 3 September 2020](#)