

Media Release:

Senate Select Committee recognises RegTech can be a significant export for Australia but must attract more capital investment.

3 September 2020: The RegTech Association (RTA) welcomes the Interim Report by the Senate Select Committee on FinTech and RegTech released on 2 September 2020. The RegTech Association submitted responses and appeared twice to give evidence to the Committee in February 2020 and the second hearing to address the pandemic impacts to the industry in July 2020. ^{1,2}

Deborah Young, CEO of the RegTech Association sees the recommendations made by the Committee as a great step forward in recognising that RegTech can be a significant export for Australia and that there's more investment required to assist the industry in reaching its full potential.

Deborah said today, "Australia is ranked third in terms of global RegTech centres of excellence – and can deliver value throughout the Australian economy – from small business through to the largest corporate through to export dollars – but this is hampered by the fact that investor interest is limited. Inviting investment from superannuation was a welcome recommendation to bridge the investment gap that is holding RegTech back. BCG estimates Australian RegTechs have access to less than 1% of the global pool of funding for RegTech. " Young adds, "Having Government helping to break down procurement barriers is a significant recommendation too, as it would cut the time to value for Government buyers – accelerating delivery of RegTech to our community."

Referencing Ms. Kate Carnell from the Small Business and Family Enterprise Ombudsman, "RegTech is a real opportunity to make it easier and simpler for small businesses to cut the red tape and to get on with running their businesses" and furthermore that "Government procurement for RegTech solutions is particularly important during this economic downturn". ³ The RTA would welcome more reflection on that.

¹ https://regtech.org.au/resources/Documents/FINAL_APPROVED_13Dec19_SUBMISSION_RTA_SS.pdf

² https://regtech.org.au/resources/Documents/Web_Submission_SenateSelectRegTech_July2020.pdf

³ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Financial_Technology_and_Regulatory_Technology/FinancialRegulatoryTech/Interim_report

Below are some key facts from BCG and The RegTech Association research:

Export: Australian RegTech is ranked third in the world, sitting only behind the US and UK. Australian RegTechs are poised to export globally, but need support to make the connections required in the age of COVID. The demand is there – since March (and COVID) - the RTA has had nearly 3,500 people from 35 countries attend their industry resource and showcase events

Investment: While Australia is punching above its weight in terms of product, the local sector is way behind in attracting investment capital. Australian RegTechs have grown by bootstrapping, with 70% of RegTech Association members being founder funded. Overall, the Australian sector attracts less than 1% of the available global capital, well below its top tier ranking (#3) merits. This is a classic result of our tyranny of distance – investors tend to focus on their home markets. Which is why encouraging Australia’s super funds to invest in home-grown RegTech is incredibly important. It will support development of RegTech for the benefit of Australia – both domestic outcomes and export dollars.

What is left on the table:

The key to both RTA submissions were four primary themes. The RTA were pleased to see that export remains in need of focus and small business, creating value for the sector hardest hit by COVID, is incredibly important as was pointed out to the Senate Committee.

- RegTech to bring ‘Trust-at-scale’ and financial resilience and
- the excellent export potential for Australia

Recommendation 14: A framework for reporting on Australia’s external competitive position in relation to financial services including measuring technology adoption and innovation

Recommendation 26: Improved collaboration between regulated businesses and scaleups

Recommendation 28: Increased awareness from Government on the benefits of RegTech and understanding the barriers around procurement

- a sector-agnostic approach across all regulated industry verticals

Recommendation 29: Government to consider event based or program initiatives to enable RegTechs to solve policy and service delivery challenges

- a call for more patient capital to help grow this specialised area.

Recommendation 27: Influencing the super industry to consider investment into home grown innovation

More Detailed Facts

The opportunity for exports

What you need to know:

Australian RegTech is ranked third in the world, sitting only behind the US and UK. Australian RegTechs are poised to export globally, but need support to make the connections they need in the age of COVID. The demand is there – since March (and COVID) - the RTA has had nearly 3,500 people from 35 countries attend their industry resource and showcase events

The market for RegTech is predicted to rise from US \$25 billion in 2019, to US \$127 billion by 2024; driven by the rising threat of cyber-crime, money laundering and increasing financial penalties. Additionally, there is a significant opportunity for Australian RegTech (#3 RegTech product producer) when coupled with trade ties with the US (currently #1 RegTech product producer) through APEC ties and with the UK (currently #2 RegTech product producer) through the negotiations for the Free Trade Agreement between UK and Australia.⁴

Of note is that positions 1 and 2 are held by significantly larger global financial centres, so this places Australia in a particular unique spot with a host of excellent solutions needing more global scale. During the pandemic and a 5 month period, the RTA has had nearly 3,500 people from 35 countries attend their industry resource and showcase events.

Investment

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⁴ [https://www.juniperresearch.com/press/press-releases/regtech-spending-to-reach-\\$127-billion-by-2024](https://www.juniperresearch.com/press/press-releases/regtech-spending-to-reach-$127-billion-by-2024)

tend to focus on their home markets. Which is why encouraging Australia’s super funds to invest in home-grown RegTech is incredibly important. It will support development of RegTech for the benefit of Australia – both domestic outcomes and export dollars.

In a soon to be released BCG FinTech Control Tower report by the RTA and Expand Research, Australian RegTech is ranked #3 in the world but suffers from under-investment when compared to other nations. Of the \$6billion raised by RegTechs globally, Australian RegTechs attracted 1% of this and places them #7 on the list of equity capital raised.

With 70% of RegTech founders currently bootstrapped, the RTA welcomes the specific recommendation 27 by the Committee in relation to Super funds investing in the Australian technology sector. It will need patient capital, as outlined in our first submission.

Superfunds are in the unique position of being a potential investor and a buyer of the tech. The funds as a buyer and gatekeeper for the safety of Australia’s retirement savings can facilitate greater data transparency, offer more efficient, productive processes and reduce their own compliance and regulatory burdens. RTA data indicates that only 14% of RegTech founders surveyed had superannuation funds as customers.⁵

The Australian Small Business and Family Enterprise Ombudsman is quoted in the Interim Report as endorsing RegTech solutions to alleviate the significant burden experienced by small businesses around industrial relations. This has potential to open up new market opportunities for RegTech firms.

Procurement

What you need to know:

59% of RegTechs find procurement their biggest hurdle to delivering value. We applaud the Government leading by example in seeking to re-engineer the procurement process.

Procurement represents the largest barrier with 59% of RegTechs rating procurement as the greatest challenge. Procurement programs often do not cater for innovative, earlier stage companies with many forced to engage expensive professional services to satisfy the requirements with many requiring International Standards Organisation (ISO) compliance that is cost-prohibitive and resource-intensive. A one size fits all for procurement does not work. This was acknowledged by the Committee in the Interim Report.

We applaud this recognition from the Government that procurement is a significant hurdle and that leading by example to enable more scale-up companies to access the Government as a customer and have them act as a key influencer for new market opportunities.

⁵ https://regtech.org.au/resources/Documents/FINAL_RegTechIndustryReport_61219.pdf



About the RegTech Association:

[The RegTech Association \(RTA\)](#) was founded in 2017 as a non-profit organisation focused on supporting the growth of the RegTech sector and accelerating adoption. The RTA has a clear vision to be a global centre of excellence; by facilitating higher performing, ethical and compliant businesses through RegTech innovation and investment. The RTA members number 150+ and comprise RegTechs, Corporates and Regulated Entities and run regular programs with regulators.