



19 November 2020

Department of Foreign Affairs and Trade  
R.G. Casey Building  
John McEwen Crescent  
Barton ACT 0221  
Australia

To whom it may concern:

Submission for the Free Trade Agreement: United Kingdom and Australia

Thank you for this opportunity. We are encouraged by the recognition by Government in the UK and Australia of the importance of RegTech.

*"RegTech, short for Regulatory Technology, is the application of emerging technology to improve the way businesses manage regulatory compliance." Australia's Global RegTech Hub is Poised for Growth, The RegTech Association & Boston Consulting Group October 2020.*

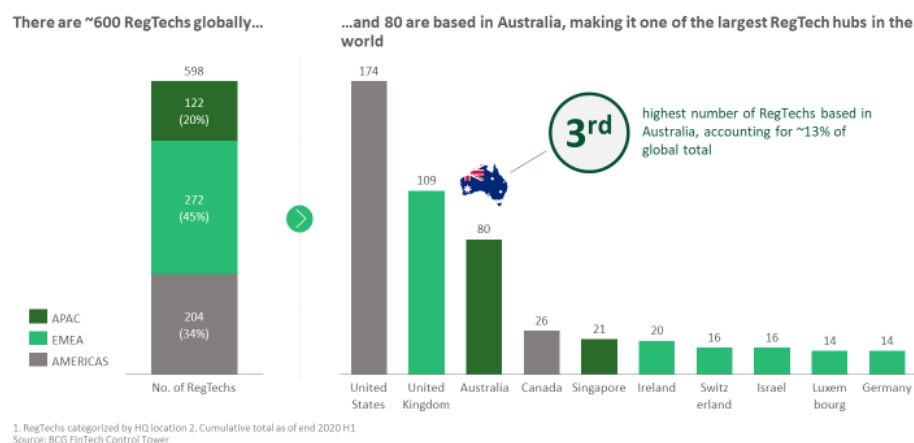
This submission of key facts is made for the next round of negotiations for the Free Trade Agreement between the United Kingdom and Australia in November 2020. In summary:

- By 2024 it is estimated that the global RegTech opportunity could be USD\$127 billion
- The UK and Australia may enjoy a world-leading position when combined for their RegTech product development capabilities
- While Australia has a 'punching above weight' in RegTech product development, it lags behind in attracting capital into the sector
- While the majority of RegTech solutions in Australia are developed to support financial services as the major customer, this submission also supports the notion that RegTech is sector agnostic and can be applied to challenges being experienced in regulation and compliance across all regulated industries, for businesses small and large and for Governments
- The UK and Australian regulators are already collaborating and working together on global initiatives including cross-border trials
- A greater focus on digital technologies, the fast tracking of digital transformation programs due to the pandemic and the importance of digital as a megatrend in driving the future of trade.

*A vast amount of economic activity has transferred from the physical world to the virtual world. The impacts on global trade and the world economy are likely to be far-reaching and enduring. We've seen a decade's worth of digital transformation occur within the space of a few months. The digital technology sector is by-and-large expanding worldwide amidst the downturn.*

*Global Trade Investment Megatrends, November 2020  
CSIRO Data61 and AUSTRADE*

## Australia has emerged as a RegTech hub with 80 firms headquartered in the country



Source: Australia's Global RegTech Hub Poised for Growth, October 2020 BCG/RTA

## Key environmental facts:

- The trade and investment environment indicates that digital technologies and their fast-paced evolution and deployment are growing as a result of the pandemic<sup>1</sup>
- RegTech presents a USD\$127 billion opportunity<sup>2</sup>
- UK is currently ranked 2<sup>nd</sup> and Australia ranked 3<sup>rd</sup> in the world for RegTech product development<sup>3</sup>
- Australia lags behind the UK in capital investment into RegTech with only 1% of the global capital investment being made<sup>4</sup>
- While the majority of RegTech solutions are applied in a financial services context, many solutions are sector agnostic with 40% of RTA members serving verticals outside of FS including Government, Telco, Energy, Health Services<sup>5</sup>
- The majority of RTA members are small businesses and according to the Australian Small Business Ombudsman, "these count" as they are part of the community that contribute 33% to Australia's GDP<sup>6</sup>
- Our regulators are already collaborating: UK (Financial Conduct Authority) and Australia (Australian Securities and Investments Commission) participate and have driven a coalition of

<sup>1</sup> [https://www.austrade.gov.au/ArticleDocuments/5729/20-00290\\_DATA61\\_GlobalTradeInvestmentMegatrends\\_FINAL\\_201019.pdf.aspx](https://www.austrade.gov.au/ArticleDocuments/5729/20-00290_DATA61_GlobalTradeInvestmentMegatrends_FINAL_201019.pdf.aspx)

<sup>2</sup> [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)

<sup>3</sup> <https://www.bcg.com/en-au/publications/2020/australia-global-regtech-hub-poised-for-growth>

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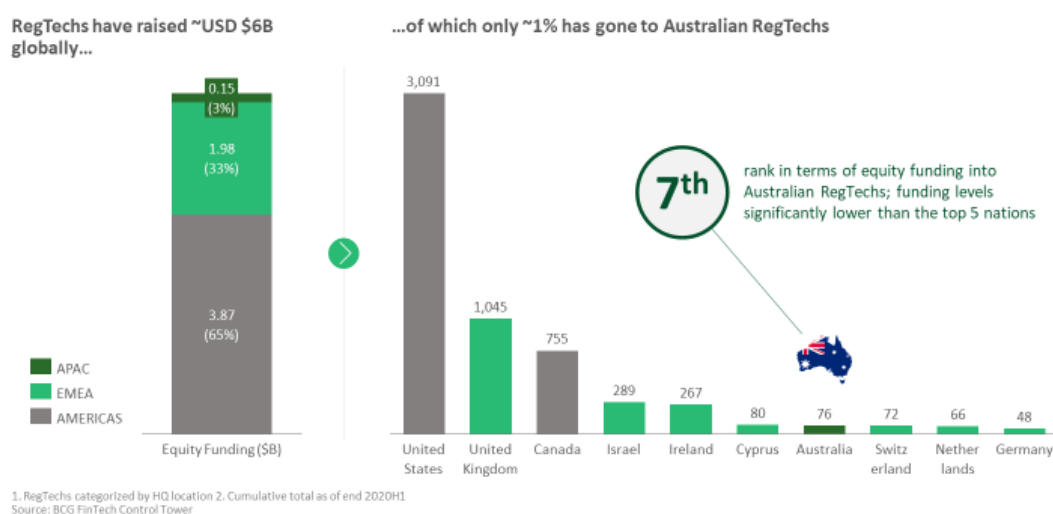
<sup>5</sup> [https://regtech.org.au/resources/Documents/FINAL\\_RegTechIndustryReport\\_61219.pdf](https://regtech.org.au/resources/Documents/FINAL_RegTechIndustryReport_61219.pdf)

<sup>6</sup> [https://www.asbfeo.gov.au/sites/default/files/Small\\_Business\\_Statistical\\_Report-Final.pdf](https://www.asbfeo.gov.au/sites/default/files/Small_Business_Statistical_Report-Final.pdf)

financial services regulators through the GFIN to drive collaboration and engagement around matters such as RegTech (Global Financial Innovation Network)<sup>7</sup>

- There is high demand and interest for RegTech solutions with the Australian-established The RegTech Association experiencing unprecedented program attendance indicating 7.6 times more demand from more than 40 countries in the initial 7 months of the pandemic than the whole previous year<sup>8</sup>
- Procurement and IT security remain the biggest stumbling blocks for RegTech deployment and the work being led by the NSW ICT Procurement Task Force is vital to fast tracking Government procurement for small companies, allowing a levelling of the playing field<sup>9</sup>
- To date there is no UK RegTech Association that gives focus and support on a non-profit basis

## But Australian RegTechs have attracted only ~1% of equity funding



Source: Australia's Global RegTech Hub Poised for Growth, October 2020 BCG/RTA

## Why RegTech isn't FinTech

- Although sometimes bundled with FinTech, and commonly aligned with financial services, large parts of RegTech solutions are sector agnostic making it attractive for a range of regulated industries across businesses of all sizes. This is not widely commented on in the UK.
- RegTech is regularly applied in financial services, telco, energy, health services, government as a buyer and includes the packaging of technologies such as blockchain, natural language processing and artificial intelligence to create solutions that reduce the compliance and regulatory burden.
- Australia's Productivity Commission produced an information paper in October 2020 that supports application of RegTech for all regulated industries and supports that Australian RegTech is internationally well placed for widespread adoption.<sup>10</sup>

<sup>7</sup> <https://www.thegfin.com/>

<sup>8</sup> Source: The RegTech Association

<sup>9</sup> [https://regtech.org.au/resources/Documents/FINAL\\_RegTechIndustryReport\\_61219.pdf](https://regtech.org.au/resources/Documents/FINAL_RegTechIndustryReport_61219.pdf)

<sup>10</sup> <https://www.pc.gov.au/research/completed/regulatory-technology>

- RegTech is a series of enabling tech solutions that produce more productive and efficient regulation or compliance.

## Why an Free Trade Agreement is good for RegTech

- A free trade agreement can benefit both jurisdictions through reducing the regulatory and compliance burdens in both places, sharing of knowledge, technology advances and best practice digital regulation.
- It allows both jurisdictions to benefit from the very best global technology that both regions are producing.
- An FTA will enhance the interoperability between our regulatory frameworks and develop standards to allow for improved communication and collaboration.
- It will allow free flowing support mechanisms for trade in both places that recognise the characteristics of RegTech, provide learnings and promote acceleration to bring more productivity, trust and transparency of data and information across verticals.
- Combined, the UK and Australian RegTech would be world-leaders and could access the \$127 billion opportunity for financial services alone.

## Why UK for Australian RegTechs?

- The UK is an attractive market destination for Australian RegTechs to enter with similar systems, a more mature RegTech approach and no language barriers.
- UK has significant scale of customer base across all regulated industries, a mature regulatory environment and the ability to bring investors and alignment making it an attractive destination.
- UK regulators lead the world in their approach to regulation and Chair the Global Financial Innovation Network (GFIN) for regulators that Australia co-Chair.
- A small survey sample of our members believe that the value of the UK market to them was somewhere around AUD\$365million, mentioning a market size of 65,000 regulated entities.

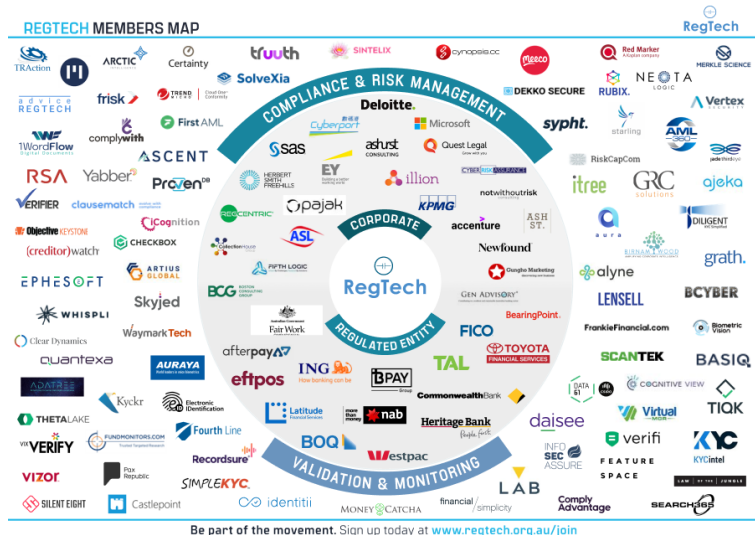
## Why Australia for the UK RegTechs?

- Australia is No. 3 global leader in RegTech product development and UK No. 2.
- Australia is an attractive market destination for the UK to enter with similar systems, a more mature RegTech approach and no language barriers.
- In Australia, The RegTech Association was established in 2017 as an independent, non-profit organisation that now has 130+ member organisations, including global companies and major banks and technology firms.
- There is a market gap in the UK with no independent, non-profit industry association dedicated to policy, advocacy and acceleration of adoption of RegTech. There are commercial companies filling this gap and others who combine it with FinTech, which gives Australia an edge with focussed advocacy and collaborative opportunities.
- The RegTech Association have UK based members and offer opportunities for UK firms to participate in our global RegTech programs to increase their reach and connectivity to buyers

- Since establishing in 2017 the RTA has run events in Singapore and London to stimulate cross-border opportunities for RegTech companies and over the past six months have accommodated 5000 people from 40+ countries at our online education programs and RegTech showcases.
- The RegTech Association recently received a grant that will be focused on managing a project on behalf of DFAT and APEC to ascertain the capability of RegTechs and FinTechs across the 21 economies of APEC, in particular as we move to the pandemic recovery. The resulting report of this work will be produced mid-year 2021.

## About the RegTech Association

- The RTA is a non-profit organisation established in Australia in 2017 to bring together government, regulators, regulated entities, professional services firms and RegTech companies to ensure collaboration, promotion of the RegTech industry as widely as possible, resulting in action in the uptake of RegTech trials and proof of concepts and fully deployed RegTech solutions across the eco system.
- Our vision and mission are to create a global centre of excellence for RegTech and to accelerate adoption.
- The association currently has 132 organisational members, 85 RegTechs and 47 Corporates. 75% of these are Australian and 25% from offshore. We have created a global flotilla of organisations operating and opening opportunities for global RegTech companies around the world.
- We run programs that foster commercial outcomes and connect buyers, sellers and regulators. The demand for our programs has grown by 7.6 times since 2019.
- The RTA meets monthly with UK and Australian Regulators and a wide range of global partners to aid collaboration and sharing of best practice and education of RegTech.



Members of the The RegTech Association, November 2020

Source: The RegTech Association

Please contact me should you require additional information.

Yours sincerely  
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## Key documents to support the submission

- RTA Submission Senate Select Committee for FinTech and RegTech, [2019](#) and [2020](#)
- [Senate Select Committee for FinTech and RegTech interim report September 2020](#)
- [Productivity Commission Information Paper on RegTech October 2020](#)
- [Australia's global RegTech Hub poised for Growth October 2020](#)
- [RegTech Industry Report, A Founders' Perspective, December 2019](#)
- [Global Trade and Investments Megatrends Report, November 2020](#)