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19 January 2023

Treasury  
Langton Crescent  
PARKES ACT 2600  
AUSTRALIA

Thank you for the opportunity to respond to the consultation on a future regulatory framework for buy now, pay later (BNPL) arrangements under the *National Consumer Credit Protection Act 2009* (the Credit Act).

### **About the Tech Council of Australia (TCA)**

The TCA is Australia's peak industry body for the tech sector. The Australian tech sector is a pillar of the Australian economy, contributing \$167 billion to GDP per annum and employing over 860,000 people. This makes the tech sector equivalent to Australia's third largest industry, behind mining and banking, and Australia's seventh largest employing sector.

The TCA represents a diverse cross-section of Australia's tech sector, including startups, venture capital funds, and online platforms that link Australians to global markets. This also includes local industry leaders in FinTech such as Airwallex, Tyro, Zepto and Finder; as well as BNPL providers such as Afterpay (part of Block inc.).

### **A fit-for-purpose approach to regulation can position Australia to be a leader in responsible FinTech innovation**

The growth of Australian FinTech businesses – and the high-paid, high-skilled jobs that they create – is one of the great success stories of Australia's tech sector over the last decade. Australia's sophisticated financial services sector, strong and stable regulatory environment, as well as digitally savvy population, has proven fertile soil for globally scalable innovation. Payment technologies (PayTech) and BNPL have played a crucial role in this growth.

Our research shows that PayTech is one of the top 5 tech segments in Australia and an area where we already have a comparative advantage globally. Australia has a disproportionate share of global PayTech startups (2.6%) relative to our contribution to global GDP (1.6%). FinTech more broadly is one of the top 3 areas for venture capital funding in Australia, alongside business and consumer software. It is also an area where Australia attracts relatively more investment than global peers, demonstrating the advantage we currently have in this part of the tech sector.<sup>1</sup>

BNPL has been a clear part of Australia's FinTech innovation success story. It has promoted competition in the consumer finance sector, delivered better outcomes for consumers by reducing interest costs and providing greater control over money, and enabled businesses to offer more innovative services and better customer experiences. Companies including Zip, Afterpay and Brighte among many others have built and grown globally scalable businesses; delivering positive consumer outcomes and significant economic and jobs benefits to Australia.

The success of the BNPL sector has not been by accident. For decades, Australian regulators have supported new payment technologies, unlocking new waves of benefits –

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<sup>1</sup> [Turning Australia into a regional tech hub](#)

from contactless payments to the New Payments Platform.<sup>2</sup> Australia's stable government, strong economy and track record of early consumer adoption of tech has made us an ideal market to lead on a sensible approach to the regulation of emerging products, services and industries such as BNPL. Successive Federal governments have taken a considered, proportionate and evidence-based approach to regulating the BNPL sector since its inception.

As the Government considers its next steps on BNPL and other forms of regulation in the FinTech sector, it is critical Australia continues to strike the right balance between enabling innovation, competition and investment, and setting high standards of consumer protection. Doing so will allow Australia to compete with global peers such as Singapore, whose progressive regulatory framework towards FinTech has led to exceptional growth in the local sector.<sup>3</sup> It will also help address Australia's broader challenges of declining productivity and economic dynamism, which are a major focus of the Government's economic agenda.

We recognise that as technology industries mature and adoption becomes more widespread, regulators need to adopt a more considered and proactive approach to enable innovation while reducing the risk of instability and consumer harm. This is particularly the case for FinTech and financial services, where regulation, compliance and stability play an outsized role.

We therefore broadly support the introduction of a considered, proportionate and tailored regulatory approach for the BNPL sector. However, this approach should enable continued responsible innovation in the sector and recognise the uniqueness of BNPL products and their differences to other credit products, rather than treating them the same as traditional products on the market.

In addition to the guiding principles outlined in Treasury's Options Paper, we put forward the following principles for consideration:

- **Enable innovation and competition in the financial services market**, supporting Australia to be an innovation leader by encouraging the development and deployment of new technologies
- **Proportionate and targeted**, with interventions designed to address the specific objectives they are seeking to achieve and minimising unintended consequences
- **Consistent and interoperable with global frameworks** where practicable and appropriate, taking into account the capacity of Australia's industry to compete with leading global peers such as Singapore (and noting countries like the UK are moving towards a regulatory framework, but are importantly not planning to regulate BNPL like traditional credit products).

Such an approach would support the development and maturity of the BNPL sector, and reduce unnecessary regulatory costs to businesses. This would allow the sector to continue innovating as it evolves, while delivering strong protections for consumers. A fit-for-purpose approach would also raise Australia's international standing as a leader in digital economy

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<sup>2</sup> [Digital Assets in Australia](#)

<sup>3</sup> [Digital Assets in Australia](#)

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regulation, and therefore, attract greater investment and talent to the sector and in turn, enable Australia to be an innovative and competitive global FinTech hub.

Australia's early and proportionate regulatory response to the BNPL sector was a prime example of why we have a comparative advantage as a country in FinTech. This should be recognised and built on to ensure we continue to be a financial innovator in years to come.

We appreciate the opportunity to contribute feedback on a future regulatory framework for BNPL products and look forward to ongoing dialogue.

Yours sincerely,



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