

# DIGITISATION AND DISRUPTION INSIGHTS

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Legal Briefings - By **Sarah Kenny and Hannah Glass**

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Digitisation has become a key focus for Australian regulators. This year both ASIC and the RBA have spoken regularly about the importance of digital innovation and its place in current and future regulation.

## CULTURE OF INNOVATION

Digital innovation in the financial sector is inevitable. The Financial System Inquiry noted that 'technology driven innovation is transforming the financial system'.<sup>1</sup>

Disruption was an ongoing theme at ASIC's annual forum held in March of this year. It included a plenary session entitled 'Digital disruption and the future of the financial sector', and digital disruption was mentioned frequently by business leaders and regulatory representatives. In particular, ANZ CEO Mike Smith likened the digital revolution to the industrial revolution stating that "regulation has to try to keep pace with [innovation], which is going to be extremely difficult".<sup>2</sup> Former Citi CEO Vikram Pandit stated that disruptors want regulation as regulation leads to legitimacy.<sup>3</sup>

## INNOVATIVE REGULATORY MEASURES

ASIC and the RBA have already taken up the gauntlet, to ensure that innovation occurs in a manner which fosters investor and financial consumer trust and confidence<sup>4</sup> including through the following measures.

1. RBA's new payments platform

The RBA's New Payments Platform will facilitate fast payments service with information rich capabilities. This system will allow real time clearing and settlement of transactions around the clock providing small payments comparable facilities to large wholesale payments.<sup>5</sup>

## 2. ASIC innovation hub

Initially announced by Greg Medcraft at the ASIC Annual Forum, the ASIC innovation hub will assist small technology businesses with licence applications and provide them with a dedicated contact at ASIC to handle their needs.<sup>6</sup> Medcraft declared "To businesses wanting to introduce ground-breaking financial products or services that genuinely benefit consumers - ASIC is open for business. We are ready to help."<sup>7</sup>

## 3. Facilitate digital financial reports

ASIC has recognised the challenge of producing a financial report which address the differing needs and levels of sophistication of those accessing and using financial reports. On May 6, it announced it will permit financial reporting using inline XBRL (**iXBRL**) format which allows reporting entities to lodge one digital financial report.<sup>8</sup> Because an iXBRL format is human readable, there will no longer be a need to lodge separate PDF and paper copies of financial reports.

ASIC Commissioner John Price gave a speech on 20 May which discussed ways to improve financial reporting. Commissioner Price specifically mentioned that the new iXBRL format "facilitates a more flexible presentation while improving comparability between companies. It also greatly enhances the ability of investors to navigate financial reports".<sup>9</sup>

## 4. Digital Finance Advisory Committee

ASIC will establish a committee with a cross-section of members from the fintech community to consult with ASIC to ensure that regulatory responses are designed to facilitate innovation and protect investors and consumers.<sup>10</sup>

# ENDNOTES

1. Financial System Inquiry, Final Report (2014), p. xix.
2. James Eyers, Former Citi boss Vikram Pandit says a loss of trust in big banks means the time is right for fintech start-ups', Australian Financial Review (Sydney), 22 March 2015.
3. Ibid.
4. Malcolm Edey, Assistant Governor Financial System, RBA, 'Card payments regulation:

from Wallis to Murray' (Speech delivered at the Cards and Payments Conference, Melbourne Australia, 21 May 2015), and Greg Tanzer, Commissioner Australian Securities and Investments Commission (ASIC) 'Financial innovation: ASIC's role and how it affects you' (Speech delivered to Norton Rose Fullbright's Financial Innovation Symposium, Sydney Australia, 5 May 2015).

5. Malcolm Edey, Assistant Governor Financial System, RBA, 'Card payments regulation: from Wallis to Murray' (Speech delivered at the Cards and Payments Conference, Melbourne Australia, 21 May 2015).
6. Greg Medcraft, Chairman Australian Securities and Investments Commission, 'Opening address: Creating confidence to grow' (Speech delivered at the ASIC Annual Forum 2015, Hilton Hotel Sydney, 23 March 2015).
7. Ibid.
8. ASIC, [ASIC introduces format for improved communication of financial information](#) (Media release, 15-104MR, 6 May 2015).
9. John Price, Commissioner, ASIC, 'Innovation in corporate reporting' (Speech delivered at the G100 Congress 2015: An insightful look at the issues, challenges and solutions facing Australian business, Sydney Australia, 20 May 2015).
10. Greg Tanzer, Commissioner, ASIC 'Financial innovation: ASIC's role and how it affects you' (Speech delivered at Norton Rose Fullbright's Financial Innovation Symposium, Sydney Australia, 5 May 2015).



## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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