Creating a more dynamic and resilient economy inquiry

Questionnaire response 51

Name: Swyftx

Submission date: 6/06/2025

1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

The participant did not respond to this question.

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

The participant did not respond to this question.

2. How has your regulatory burden changed over time?

The participant did not respond to this question.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

The participant did not respond to this question.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

The Australian Government and national regulators have a strong record of facilitating equivalence agreements with regulatory and supervisory regimes in other economic areas, particularly in areas such as financial services and trade. For example, existing equivalence arrangements have been developed in financial market infrastructure, accounting standards, and data protection frameworks.

As emerging technologies like blockchain and AI re-shape the global economy and support productivity, we believe it is important that regulatory equivalence and, where feasible, mutual recognition is explicitly considered by both Government and regulators in the development of legislation around tech, particularly where that technology has cross-border scalability built in. We note that the recently introduced bipartisan U.S. CLARITY Act ( ) directs the SEC and the CFTC to promote the consistent global regulation of digital assets. We believe a similar approach would deliver multiple

potential productivity benefits in Australia:
• Improved competitiveness and reduced compliance burden: Aligning Australia's regulatory framework with major jurisdictions that already support effective supervision in a new technology (such as the EU's MiCA rules for digital assets and expected future U.S. legislation) minimises duplication, reduces compliance costs, and would allow innovative Australian tech firms to participate in international markets more easily.
• Greater investment and dynamism: Equivalence agreements foster business confidence, encouraging both Australian and international firms to invest, establish operations, and innovate in Australia.
• Faster rule making: Regulatory equivalence with trusted international frameworks can help accelerate the development of new regulatory rules by leveraging existing models, reducing duplicative policy debates, and focusing regulatory effort on local risk factors. This streamlined approach enhances certainty for businesses and supports faster innovation cycles.
• Benefit from network effects: many emerging tech models are supported by network effects and/or interoperable protocols. Regulatory divergence undermines these impacts and puts innovative tech businesses in smaller economies at a particular disadvantage.

Recommendation 1

We recommend that the Productivity Commission consults on the potential for Government to include equivalence and mutual recognition assessments as part of its formal Policy Impact Analysis process for emerging technologies, to reduce regulatory duplication and support Australia's global competitiveness.

Topic 2: Regulatory sandbox and growth objectives
We believe that the regulatory frameworks governing new technologies should support innovation and scalability. Regulatory sandboxes remain a proven international tool for enabling firms of all sizes to test new products and services in a controlled environment.

ASIC's enhanced regulatory sandbox (ERS) is a potentially valuable mechanism for supporting productivity and innovation in Australia through new technologies like AI and blockchain. In particular, we believe that blockchain has potential to support significant productivity advances in areas such as tokenisation, Central Securities Depository efficiency, and parametric insurance solutions. Internationally, the Financial Conduct Authority's Regulatory Sandbox, on which ASIC's ERS was based, has been a successful model, supporting innovative firms to test and iterate new products and services before they achieve full regulatory compliance.

The FCA sandbox explicitly encourages applications from firms in AI, quantum and tokenisation and has comparatively streamlined and open criteria for participation. In 2024, the Bank of England (BoE) and FCA also opened a Financial Market Infrastructure sandbox , known as the Digital Securities Sandbox. The DSS will allow UK firms to test legislative changes in real world scenarios - using distributed ledger technology - before changes are implemented.

Finally, we note that the FCA has a secondary international competitiveness and growth objective, introduced through the Financial Services and Markets Act 2023. This objective is designed to both drive productivity and exert downward pressure on costs and prices to end consumers. It ensures that the FCA must choose the most pro-competitive measure available in dispensing its duties and consider 'the impact on competition' when it carries out its general functions to advance consumer protection and market integrity. In much the same way, Swyftx believes that Australia's regulatory framework can, and should, strike a balance between ensuring consumer protection and financial stability, whilst fostering an environment where businesses grow quickly, yet sustainably.

Recommendation 2 + 3

We recommend that the Productivity Commission consults on the desirability of having more streamlined, tech neutral criteria for entry into ASIC's regulatory sandbox and on whether the sandbox requires additional resourcing.

We recommend that the Productivity Commission consults on the potential for ASIC to adopt a secondary competition objective.

Cover sheet: Supporting document #1

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Dear Professor Robson,

Productivity Commission: Creating a More Dynamic and Resilient Economy Questionnaire

We welcome the opportunity to contribute to the Productivity Commission's questions on the creation of a more dynamic and resilient economy. Swyftx is an Australian cryptocurrency brokerage, which supports just over 1.2 million retail and business clients across the ANZ region.

Swyftx believes blockchain technology offers the potential for very significant national productivity improvements, particularly in financial services and areas including, but not restricted to, payments, remittance, equity issuance, the creation of complex financial instruments, the tokenisation of traditional private credit markets and the introduction of a wholesale AUD stablecoin.

Australia needs a regulatory framework governing new technologies that is tech neutral and focussed on opportunities for international regulatory alignment, innovation and scalability. This is particularly relevant at a time of rapid innovation in technologies that are natively global and have a significant reliance on networks, including AI and blockchain.

Our response therefore focuses on the arrangements for the introduction of new rules around emerging technologies and, in particular, the importance of considering regulatory equivalence or mutual recognition with other major jurisdictions where practicable and safe. We also believe there is an opportunity to consult on the scope of ASIC's regulatory sandbox.

Question 7: Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

<u>Topic 1: Third country equivalence and international co-operation</u>

The Australian Government and national regulators have a strong record of facilitating equivalence agreements with regulatory and supervisory regimes in other economic areas, particularly in areas such as financial services and trade. For example, existing equivalence arrangements have been developed in financial market infrastructure, accounting standards, and some products.

As emerging technologies like blockchain and AI re-shape the global economy and support productivity, we believe it is important that regulatory equivalence and, where feasible, mutual recognition is explicitly considered by both Government and regulators in the development of legislation around tech, particularly where that technology has cross-border scalability built in. We note that the recently introduced bipartisan U.S. CLARITY Act (1) directs the SEC and the CFTC to

[1] https://financialservices.house.gov/uploadedfiles/052925_clarity_act.pdf

promote the consistent global regulation of digital assets. We believe a similar approach would deliver multiple potential productivity benefits in Australia:

- **Improved competitiveness and reduced compliance burden:** Aligning Australia's regulatory framework with major jurisdictions that already support effective supervision in a new technology (such as the EU's MiCA rules for digital assets and expected future U.S. legislation) minimises duplication, reduces compliance costs, and would allow innovative Australian tech firms to participate in international markets more easily.
- **Greater investment and dynamism:** Equivalence agreements foster business confidence, encouraging both Australian and international firms to invest, establish operations, and innovate in Australia.
- **Faster rule making:** Regulatory equivalence with trusted international frameworks can help accelerate the development of new regulatory rules by leveraging existing models, reducing duplicative policy debates, and focusing regulatory effort on local risk factors. This streamlined approach enhances certainty for businesses and supports faster innovation cycles.
- **Benefit from network effects:** many emerging tech models are supported by network effects and/or interoperable protocols. Regulatory divergence undermines these impacts and puts innovative tech businesses in smaller economies at a particular disadvantage.

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Topic 2: Regulatory sandbox and growth objectives

We believe that the regulatory frameworks governing new technologies should support innovation and scalability. Regulatory sandboxes remain a proven international tool for enabling firms of all sizes to test new products and services in a controlled environment.

ASIC's enhanced regulatory sandbox (ERS) is a potentially valuable mechanism for supporting productivity and innovation in Australia through new technologies like AI and blockchain. In particular, we believe that blockchain has potential to support significant productivity advances in areas such as tokenisation, Central Securities Depository efficiency, and parametric insurance solutions. Internationally, the Financial Conduct Authority's Regulatory Sandbox, on which ASIC's ERS was based, has been a successful model, supporting innovative firms to test and iterate new products and services before they achieve full regulatory compliance.

The FCA sandbox explicitly[2] encourages applications from firms in AI, quantum and tokenisation and has comparatively streamlined and open criteria for participation. In 2024, the Bank of England (BoE) and FCA also opened a Financial Market Infrastructure sandbox[3], known as the Digital Securities

[2] https://www.fca.org.uk/firms/innovation/regulatory-sandbox
[3] https://www.bankofengland.co.uk/paper/2024/policy-statement/boe-fca-joint-approach-to-the-digital-securities-sandbox

Sandbox. The DSS will allow UK firms to test legislative changes in real world scenarios - using distributed ledger technology - before changes are implemented.

Finally, we note that the FCA has a secondary international competitiveness and growth objective, introduced through the Financial Services and Markets Act 2023. This objective is designed to both drive productivity and exert downward pressure on costs and prices to end consumers. It ensures that the FCA must choose the most pro-competitive measure available in dispensing its duties and consider 'the impact on competition' when it carries out its general functions to advance consumer protection and market integrity. In much the same way, Swyftx believes that Australia's regulatory framework can, and should, strike a balance between ensuring consumer protection and financial stability, whilst fostering an environment where businesses grow quickly, yet sustainably.

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We recommend that the Productivity Commission consults on the potential for ASIC to adopt a secondary competition objective.

Thank you for the opportunity to respond to this questionnaire.

Regards,
[SIGNATURE REDACTED]

Jason Titman

Chief Executive Officer, Swyftx