



Crypto Asset Secondary Service Providers:

Licensing and custody
requirements

Submission from Finder
May 2022

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About us: Finder and our overarching position

An introduction to Finder

[Finder.com.au](https://finder.com.au) (“Finder”, “we”) is an Australian founded and owned global fintech. Finder empowers people around the world to make better financial decisions and enables access to the power of cryptocurrency for everyone. We do this through products such as a free comparison website that reviews over 50 categories including insurance and loans; an app that allows better oversight of personal finances; and products that allow access to the new frontier of cryptocurrency. Finder has over 10 million people visit our website monthly across 30 countries.

Finder welcomes the opportunity to respond to the consultation on Crypto asset secondary service providers: Licensing and custody requirements. Finder has been an active supporter of the smart regulation for the digital asset sector as we believe it will legitimise a sector that is too big to ignore, and that a strong Australian economy post-pandemic will involve the right conditions for the crypto sector to thrive. In this submission, we have focused on the areas we believe we can add the most value, based on the consultations we have been involved in to date.

Our overarching position

At Finder, we believe crypto regulation needs to be prioritised to create a competitive edge with the international market, and to ensure money flows and talent stays local. In taking strategic steps to regulate this sector, emulating other countries including Singapore and Germany, Australia could add billions of dollars to national GDP. In addition, the sector could also contribute billions of dollars to the Australian taxation system with appropriate regulation.

Should the Government not take positive regulatory action, Australia risks losing talent to markets with progressive regulators like Germany. This includes the potential of over 200,000 jobs that will be available in 2030, ranging from digital traders to transaction auditors to supercomputing technicians (EY Cryptocurrency and the Distributed Digital Economy in Australia [Report](#), 2021). Even these job figures are considered conservative by the broader sector.

Finder appreciates the steps the Government has already taken in the direction of regulating this space, and was actively involved in the Select Committee on Australia as a Technology and Financial Centre. Finder wants to work with the Government to support the implementation of smart regulation, which requires striking a balance between protecting consumers and allowing stronger investment into crypto innovation.

Finder's digital asset journey

Our journey

Finder's initial foray into the digital assets space started with providing general information on cryptocurrency. When cryptocurrency was coming into prominence, creating a page specifically dedicated to cryptocurrency aligned with Finder's mission to help Australians make better decisions. The Crypto Finder section of our site was created in 2017 and continues to have high traffic from the Australian public. Crypto Finder provides consumer guides, news and comparisons in relation to cryptocurrency and received over 2 million visits in Australia in the last 12 months alone.

In response to increasing consumer demand for cryptocurrency content and information, Finder established a Crypto Finder YouTube Channel, which currently has over 14,000 subscribers. Finder also has a podcast called 'Block Climbing' that explores the impacts of cryptocurrency and Web3 on the lives of everyday Australians. This podcast is targeted at beginners, sceptics and everyone in-between to learn more about the sector. Finder has dedicated resources internally, including editors and product managers, who focus on de-mystifying the digital asset sector, as well as developing and maintaining Finder's offering in this space.

Finder created its initial first party-service offering in 2018, HiveEx, through its parent company Hive Empire. The offering was an over-the-counter cryptocurrency brokerage, which provided trading services to high-net-worth individuals, family offices, businesses, funds and trusts. HiveEx was launched after Fred Schebesta, Co-Founder of Finder, became frustrated by the difficulty of setting up large trades on conventional exchanges, which were not optimised to handle large singular transactions. HiveEx solved this problem by offering consumers one price for a single buy-order. HiveEx was sold in 2020 to better align our energy to the Finder Group. We took the learning, development and experience we gained from HiveEx to expand into a retail digital asset offering.

More recently, Finder launched the Finder app in 2020. The Finder app was created to empower Australians to make better financial decisions with their own data. The free app provides over 500,000 consumers with greater insights into their products and their spending, and provides in-app opportunities to find better deals more suited to their circumstances and thereby realise potential savings. In early 2021, Finder registered with AUSTRAC and created the ability to trade Bitcoin and Ethereum within this app. We made this available because we wanted to make these cryptocurrencies more approachable and accessible. Through the app, trading can be set up in around 3 minutes, which is different to many other, often more complex, digital asset buying options.

Finder launched Finder Earn in late 2021. In an increasingly digital financial world, Finder Earn takes advantage of stablecoins to offer a new way to earn 4.01% p.a. on capital. When someone uses Finder Earn, their Australian dollars are converted into TAUD stablecoins in the Finder app, and these TAUD stablecoins are lent to Finder. In exchange for lending their capital through TAUD stablecoins, Finder pays a fee of 4.01% p.a.

There are no fees for using Finder Earn, access starts from as little as \$25 and Finder pays out daily earnings, creating a compounding effect over time. Finder Earn also allows deposit, allocation and withdrawal at any time. Unlike similar offerings within Australia that are denominated in US Dollars, the Finder Earn offering has no foreign currency risk as Finder converts AUD or TAUD at an exchange rate of \$1AUD = 1 TAUD. Finder Earn provides a solution for Australians who are looking to increase their financial wellbeing in the era of historically low interest rates and rising inflation.

Our learnings

The home-grown innovation of Finder Earn makes the crypto world accessible for everyday Australians. We recognise this is a new way of putting capital to work and have invested significantly to ensure this offering works within the current legislative environment. We have worked with regulators, such as the Australian Securities and Investments Commission (ASIC), to make sure there is a strong understanding of how this offering differs from traditional financial products. This is one of the reasons why it is important to regulate crypto assets under a separate, new framework – to ensure innovation will not be hampered by the difficulty of transitioning from our legacy regulation structure that doesn't consider the technology behind digital assets (such as distributed ledger and blockchain).

We've invested considerable resources toward working alongside regulators to navigate where existing frameworks for financial services don't appropriately fit when considering emerging technology. For example, being a consumer of Finder Earn means you are lending your TAUD coins to Finder, not making a financial investment. It is also a different product from Australians receiving a return by 'lending' or 'staking' cryptocurrencies via Australian, and international, digital currency exchanges. Finder Earn is within the Finder Wallet, which provides higher levels of safety, governance and cybersecurity.

Developing a novel offering like this has made it more apparent to Finder that there needs to be greater certainty and clarity around regulation in this space to support the regulators in their engagements with digital assets. It has also demonstrated that regulation needs to be agile and responsive, as establishing strict frameworks would not enable an innovation like Finder Earn to come to fruition. Given Finder Earn has witnessed 800% growth in the last couple of months, this would be a step backwards for everyday Australians aiming to enhance their financial wellbeing in this new ecosystem. Government-led regulation would also better support consumer adoption; according to the Gemini 2022 Global State of Crypto report, the key reasons why people don't invest is due to regulatory uncertainty and tax complexities.

The demographics of Australians using Finder Earn currently provide an interesting insight into who is looking to engage in offerings like these. For example, 47% of Finder Earn users are 29 and under, with the average age of users being 32 as of March 2022. Earn users are more likely to be working full-time (67%), and 69% of users rent or live at home. Interestingly, 36% of people are using Finder Earn to support their goal to buy a house, which demonstrates that younger Australians are looking for new ways to protect and grow their wealth.

Recommendation 1

Finder supports new, government-led regulation that is separate to legacy regulation, to provide clarity and certainty for the sector. We specifically support government-led regulation if the relevant departments and regulators are adequately resourced with expertise from the digital asset sector and there is one overarching regulator responsible, to avoid fragmented oversight. The focus of the Government-led regulation also needs to be both on consumer protections as well as supporting a thriving digital asset sector. Should the Government not have capacity to build well-resourced teams, with the dual focus including harnessing the economic benefits from the innovations arising from the ecosystem, then self-regulation is preferred.

Proposed regulatory concepts

Consumer protections

The way in which Finder Earn operates is made clear to consumers, including highlighting that Finder Earn is not without risk. As Finder Earn is not a banking product or savings account, it is not covered by the government's guarantee. Finder takes its payment obligations seriously, and therefore it is always a top-tier business priority. We recognise that crashes such as Terra's LUNA crash happen in the digital asset space. We specifically have a treasury counsel that separates the operational from the governance to ensure that funds deployed by the company for its benefit are appropriately managed in a risk-balanced way.

Finder Earn uses TrueAUD (TAUD), a stablecoin which is fully collateralised by real Australian dollars, held in third-party escrow and is subject to independent on-chain attestations, which ensures proof of reserve. We believe these forms of protections are critical for consumers, and should form the baseline of protections for similar offerings in Australian regulation. Finder also bears the risk if the value of TAUD stablecoin changes over time such that it does not perfectly represent the value of AUD fiat.

Although Finder actively prioritises these measures, there aren't any requirements for the sector to adopt consumer protections while government regulation is being finalised. At a bare minimum, we believe that introducing the requirement of digital asset firms displaying a clear risk disclaimer should be prioritised promptly.

RECOMMENDATION 2

Effective consumer protections should be prioritised for implementation earlier than some of the proposed regulations within the consultation paper. Having a baseline to build upon, including requirements to publicly list the risk of investing in stablecoins, will help stabilise the sector and empower holders of digital assets.

Licensing and custodian regime

For a sector that the Australian public is on a journey to understanding, it would be worthwhile simplifying the terminology associated with the licensing. In response to questions 1 and 2 of the consultation paper, Finder believes it would be a disservice to use lengthy language, such as Crypto Asset Secondary Service Providers, to describe the market licensing framework proposed. Digital currency exchange, or digital assets exchange, would be sufficient to describe the entities that are covered within the licensing regime proposed.

In terms of entities included within the licensing regime, Finder believes piloting with a segment of the sector would provide an appropriate testing environment to determine applicability to the broader sector. As this is the first time that regulation like this will be implemented, it would be preferable to have a phased, adaptive approach, with testing to take place with entities that have the ability to form part of the first cohort.

RECOMMENDATION 3

Ensure the licensing regime has a phased approach, launching with a focus on established entities in order to ensure testing of the capacity to comply with the requirements. This will then be extended to other entities once it has proven an effective regulatory model.

For the obligations required of the licensing regime, Finder believes the Government would benefit greatly from establishing an industry committee that provides direct feedback into the specifics of the new regulation. Currently, the obligations include conditions such as minimal financial requirements and regular auditing. However, it is difficult to comment on these without the specific details of what they could look like. We are broadly in support of the licensing elements proposed in the consultation, however, we would like to ensure the sector has a say on the specifics of how they would be implemented.

This committee could also provide feedback and guidance on the proposed obligations and specifics of the custody framework. The committee could operate in a similar manner to the Australian Payments Council, which has helped coordinate their industry roadmap. Finder has also been involved and seen great value in similar committees, such as the Consumer Data Right Data Standards Committee which Finder has been represented on for over two years.

RECOMMENDATION 4

Establish an industry committee that meets monthly to discuss and agree on the specifics of the proposed licensing regime and custody requirements. The committee would include key members from the sector, and can provide guidance on implementation to Treasury, ASIC, ACCC, AUSTRAC and ATO.

Finder is supportive of a custodian regime to support better consumer protections, as well as increase investment into the sector. We believe that incentivising entities to use Australian-based custodian

providers would be a good way to create more jobs and investment opportunities onshore. For example, when an entity is reliant on an Australian custody provider, the liability could rest with the Australian custodian provider. Whereas when the entity is reliant on an overseas custody provider, the liability could rest with the licence holder.

Finder is very positive about the implementation of new, government-led regulation that recognises the novelty of the digital assets sector. This will clarify that digital assets don't sit within traditional regulation, such as being classified as a financial product, and will support the technology-driven nature of the ecosystem. In the consideration of all new regulation, the sector will need the assurance that there won't be any retrospective regulatory action following the implementation of new frameworks. This is important for overall successful implementation of the regulation, as the sector would better adopt new regulation knowing that there is a safe harbour in place prior to it being launched.

This will also allow for continued innovation while the structures behind the regulation are taking place. Adopting a safe harbour approach prior to regulation coming into effect will establish goodwill with the sector and enable continuous innovation. Finder has witnessed firms waiting for prolonged periods to be approved as licensees overseas. This can hinder innovation, and also result in international firms withdrawing from markets and taking their talent and investment elsewhere. The safe harbour, along with a well-resourced, specialised regulatory unit (**Recommendation 1**), will be pivotal to ensuring sector growth during the transition period of the regulation.

Another key consideration is harmonisation and consistency with international standards. Digital assets are generally international in nature and more borderless than many technologies that have come before them. As such, we would advocate for as much considered alignment with international standards as is reasonable. Finder further advocates for a process that recognises licences from other jurisdictions. This aligns to other crypto-currency frameworks such as the Markets in Crypto-assets (MiCA) framework in the European Union which will allow for this kind of "passporting" to occur between European markets.

RECOMMENDATION 5

Align with international standards and other jurisdictions to allow Australian firms to grow businesses globally and attract investment from foreign firms.

Summary

Australia is in a prime position to commence consumer empowering and sector growing regulation that is considerate of a distinct, digitally native, asset class. This regulation will be important for mainstream adoption, which aligns with Finder’s aim of ensuring every Australian can be included in this new form of increasing financial sustainability. To conclude, we’ve included a table below of all our recommendations, why they are important and what questions within the paper they correspond to. We would like to thank the Government for providing the opportunity to respond to this important consultation process, and we would be pleased to discuss our submission further at any time.

Recommendations table

Recommendation	Why	Consultation Question
1. Finder supports new, government-led regulation that is separate to legacy regulation, to provide clarity and certainty for the sector. We specifically support government-led regulation if the relevant departments and regulators are adequately resourced with expertise from the digital asset sector and there is one overarching regulator responsible.	This will ensure the new regulation is responsive and doesn’t create a backlog of licensing applications from the beginning. We have witnessed lengthy delays in processing licensing applications in other nations due to regulators not being well-resourced or understanding the content. Having one designated regulator will avoid fragmented oversight and confusion around responsibility. Implementing regulation will avoid a talent drain to companies that have been early adopters on the regulation journey, such as Singapore, Germany and Switzerland.	7, 10, 17, 25, 26,
2. Effective consumer protections should be prioritised for implementation earlier.	Given recent events, it has become more apparent that developing consumer protections should be a first priority. This will be important in re-stabilising the sector and empowering the holders of digital assets.	11, 20
3. Ensure the licensing regime has a phased approach, launching with a focus on established entities in order to ensure testing of the capacity to comply with the requirements. This will then be extended to other entities once it has proven an effective regulatory model.	A phased approach, starting with well-established entities that have capacity to undertake the relevant requirements, would allow the regulation to be deemed successful and gain more buy-in from newcomers in the future.	9
4. Establish an industry committee that meets monthly	There is a wealth of knowledge across the digital asset sector that should be tapped into to	11, 14, 19

to discuss and agree on the specifics of the proposed licensing regime and custody requirements.	support the success of implementing the new regulation. This would also support all relevant government bodies to have access to a forum to try and test ideas.	
5. Align with international standards and other jurisdictions.	Consistency across international regulations will support international competitiveness and expansion of Australian firms, while also attracting international firms to establish themselves within Australia. It will also recognise the borderless nature of digital assets.	3, 4, 6

Questions?

Contact the Finder public affairs team at publicaffairs@finder.com