



“The core function of the Australian financial system is to facilitate the funding of sustainable economic growth and enhance productivity in the Australian economy. The Inquiry believes Government’s role in funding markets should generally be neutral regarding the channel, direction, source and size of the flow of funds. (*Financial System Inquiry Final Report, page xvi*)

“The Inquiry identified a number of distortions that impede the efficient market allocation of financial resources, including taxation, information imbalances and unnecessary regulation.” (*Financial System Inquiry Final Report, page xvi*)

“Australia has a well-functioning equity market, a sophisticated wholesale financial market, and a privately owned banking and insurance system that provides a range of competitive retail products and services. However, some funding markets in Australia, including the corporate bond and venture capital markets, appear underdeveloped compared with those of some international peers.” (*Financial System Inquiry Final Report, page 14*)

“The Inquiry has noted that SMEs [small and medium-sized enterprises] have few options for external financing outside the banking system compared with large corporations.” (*Financial System Inquiry Final Report, page 15*)

Recommendations relating to funding are listed in Table 1.

Table 1: Funding recommendations

Recommendation	Description	Page reference
18	Crowdfunding	177
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Source: Derived from *Financial System Inquiry Final Report, page xvii*

Recommendations

“The regulatory framework should facilitate financing via the internet.” (*Financial System Inquiry Final Report, page 178*)

“A well-developed crowdfunding system can aid broader innovation and competition in the financial system. Submissions generally support a more accommodative regulatory regime and note that crowdfunding would give some SMEs, particularly start-ups, more funding options.” (*Financial System Inquiry Final Report, page 179*)

The Inquiry has made the following recommendation:

“Graduate fundraising regulation to facilitate crowdfunding for both debt and equity and, over time, other forms of financing.”

(Recommendation 18) (Financial System Inquiry Final Report, page 177)

This recommendation seeks to:

- “Graduate fundraising regulation to facilitate innovations in fundraising emerging from new technologies and ensure policy settings are consistent across funding methods.
- “Provide firms, particularly SMEs, with additional funding options.” *(Financial System Inquiry Final Report, page 178)*

“At present credit providers have limited access to credit data on competitors’ customers... More comprehensive sharing of credit data would reduce information imbalances between lenders and borrowers. It would also facilitate borrowers switching between lenders and greater competition among lenders. Overall, more comprehensive credit reporting would likely improve credit conditions for borrowers, including SMEs.” *(Financial System Inquiry Final Report, page 190-191)*

The Inquiry has made the following recommendation:

“Support industry efforts to expand credit data sharing under the new voluntary comprehensive credit reporting regime. If, over time, participation is inadequate, Government should consider legislating mandatory participation.”

(Recommendation 20) (Financial System Inquiry Final Report, page 190)

This recommendation seeks to:

- “Reduce information imbalances between lenders and borrowers, and facilitate competition between lenders.
- “Improve access to and reduce the cost of credit for borrowers, including SMEs.” *(Financial System Inquiry Final Report, page 190)*

“Australia has an established domestic bond market. However, a range of constraints, including tax and regulatory settings, have limited the market’s development – in particular, the retail corporate bond market.” *(Financial System Inquiry Final Report, page 263)*

The Inquiry has made the following recommendation:

“Reduce disclosure requirements for large listed corporates issuing ‘simple’ bonds and encourage industry to develop standard terms for ‘simple’ bonds.”

(Recommendation 33) (Financial System Inquiry Final Report, page 263)

This recommendation seeks to:

“...strike the right balance between reducing issuance costs and providing potential investors with sufficient information to make a considered investment decision.” *(Financial System Inquiry Final Report, page 263)*

Tax issues

“The Inquiry has identified a number of taxes that distort the allocation of funding and risk in the economy... Unless they are already under active Government consideration, the tax issues... should be considered as part of the Tax White Paper process.” *(Financial System Inquiry Final Report, page 277)*