

25 July 2025

The Digital Finance Co-operative Research Centre (DFCRC) welcomes the opportunity to contribute to the Government's consultation on national interest priority reforms.

We estimate that upgrading Australia's financial market infrastructure through Digital Finance could deliver economic gains of **approximately \$19 billion per annum**, equivalent to around 1% of GDP each year. That is a direct contribution to national productivity. Realising these gains requires supporting a transition to Digital Finance infrastructure.

This submission recommends five key practical, budget-positive steps to significantly improve Australia's productivity and economic resilience by modernising the financial system.

DFCRC welcomes the opportunity to discuss these proposals further and support the Treasury in designing a strategic roadmap to implement these reforms.

### **About DFCRC**

The Digital Finance Cooperative Research Centre (DFCRC) is a collaboration between industry, academia, and government, funded through the Australian Government's CRC Program. DFCRC's mission is to maximise the national economic benefits from the modernisation of financial market infrastructure, delivering productivity gains for Australia while ensuring consumer protection and market integrity.

### **For more information**

Please contact Prof. Talis J. Putnins

Co-CEO and Chief Scientist ([talis@dfcrc.com](mailto:talis@dfcrc.com))

## Upgrade Australia's Financial Infrastructure to Drive Productivity

The financial system has a first-order impact on economic efficiency and national productivity because it is the economy's "prioritisation engine"—it distributes capital around the economy, based on market signals, ultimately determining in which industries, businesses, and innovations will we use the economy's finite resources. It enables businesses to invest, grow, and innovate, driving economic growth. Putting resources to their best use – the role of the financial system – is the fundamental prerequisite for high productivity.

However, Australia's financial plumbing is outdated and underperforming. Critical components of financial market infrastructure, such as clearing and settlement systems, lack competition and innovation.<sup>1</sup> We continue to rely on legacy systems that are costly, prone to operational failures, and create systemic risks that we address with heavy regulation. These systems are not sufficiently flexible to support the creation of new markets that adapt to the changing needs of the economy. Increasingly, financial activity is shifting away from public, regulated markets into opaque, private markets that have limited accessibility, liquidity, and oversight.<sup>2</sup> Parts of the financial system are excessively intermediated and inefficient, such as cross-border payments.

### The time is now

We are currently at a critical inflection point. Overseas markets have demonstrated the capabilities of next-generation technologies, such as the digital representation of assets on distributed ledgers and real-time, riskless (atomic) settlement. These technologies unlock tied-up capital, reduce systemic risk, enable distributed markets and shared registries, and embed compliance into transactions, significantly reducing costs and regulatory burdens. We refer to this as Digital Finance.

Importantly, Digital Finance is not about speculative crypto assets; it is about modernising the way the financial system works to improve capital flows, asset trading processes, and financial risk management. It removes structural inefficiencies, enables competition, and facilitates innovation. In essence, it is an upgrade to the plumbing and wiring of our economy to improve productivity.

We estimate that upgrading Australia's financial market infrastructure through Digital Finance could deliver economic gains of **approximately \$19 billion per annum**, equivalent to around 1% of GDP each year.<sup>3</sup> That is a direct contribution to national productivity. Realising these gains requires supporting a transition to Digital Finance infrastructure.

### What is Needed? 5 practical, budget-positive steps

Unlike many reforms requiring fiscal subsidies, enabling Digital Finance requires removing roadblocks and implementing innovation-conducive policies.

---

<sup>1</sup> <https://treasury.gov.au/consultation/c2024-466696>

<sup>2</sup> <https://www.asic.gov.au/regulatory-resources/find-a-document/consultations/dp-australia-s-evolving-capital-markets-a-discussion-paper-on-the-dynamics-between-public-and-private-markets/>

<sup>3</sup> Research undertaken by the Digital Finance Cooperative Research Centre (DFCRC), in collaboration with the Digital Economy Council of Australia (DECA) and sponsored by OKX.

## 1. Implement Digital Financial Infrastructure

- Support and prioritise the Reserve Bank of Australia's (RBA's) exploration of a wholesale Central Bank Digital Currency (CBDC) as infrastructure for riskless settlement.
- Tokenise Australian Government bonds to drive liquidity, provide high-quality tokenised collateral, and set an example.

## 2. Reform Financial Market Infrastructure Licensing

- Modernise financial market infrastructure licensing frameworks to enable Digital Finance Markets while maintaining market integrity and investor protection. For example, remove the redundant clearing and settlement license requirements for Digital Asset platforms.
- Enable decentralised registries and real-time settlement models, reducing costs for businesses and unlocking liquidity in capital markets.

## 3. Competition and Innovation Mandate and National Priority

- Implement a competition and innovation mandate for The Australian Securities and Investments Commission (ASIC), the RBA, and Treasury, similar to the United Kingdom, to ensure that regulation supports innovation in financial markets.
- Set Digital Finance transformation as a national priority, similar to in Singapore, accompanied by a Strategic Roadmap for Digital Finance

## 4. Update the *Corporations Act*

- Modernise the *Corporations Act* to explicitly enable digital asset issuance, trading and registry maintenance on distributed ledgers, providing legal certainty and reducing administrative costs.<sup>4</sup>

## 5. Next-Generation Regulatory Sandbox with Glide Path

- Establish a dynamic regulatory sandbox with clear pathways for participants to graduate from testing to full-scale operation. This could be done by extending the successful regulatory relief model used in Project Acacia.<sup>5</sup>
- Use the sandbox as a tool for co-evolving regulation and innovation, supporting experimentation while managing risk, rather than a static testing environment.<sup>6</sup>

---

<sup>4</sup> [https://dfcrc.com.au/wp-content/uploads/2025/04/FINAL\\_DFCRC-Submission-to-Consultation-Paper-381.pdf](https://dfcrc.com.au/wp-content/uploads/2025/04/FINAL_DFCRC-Submission-to-Consultation-Paper-381.pdf)

<sup>5</sup> <https://dfcrc.com.au/2025/07/10/projectacaciaparticipantsselected/>  
<https://www.legislation.gov.au/F2025L00831/asmade/text>  
<https://www.rba.gov.au/payments-and-infrastructure/central-bank-digital-currency/pdf/project-acacia-consultation-paper-2024-11.pdf>

<sup>6</sup> [https://dfcrc.com.au/wp-content/uploads/2024/10/Key-Policy-Reforms-to-Support-Tokenisation-of-Real-World-Assets-in-Australia-A4\\_Final-Design-Copy\\_-09242024.pdf](https://dfcrc.com.au/wp-content/uploads/2024/10/Key-Policy-Reforms-to-Support-Tokenisation-of-Real-World-Assets-in-Australia-A4_Final-Design-Copy_-09242024.pdf)