

# Octopus Group – Written Evidence (AUT0006)

## Overview

*Founded in 2000, Octopus manages £9bn of funds on behalf of 60,000 investors, including around £2.5bn of growth capital – both retail and institutional, including pension funds. Over the years we have invested in more than 500 SMEs including household names such as Secret Escapes, Graze.com and Zoopla Property Group. Octopus is the largest venture capital trust manager in the UK, with £890m of funds under management, representing 21% of the market. Our investments have helped businesses to create many thousands of new jobs.*

*Octopus Group also invests in critical infrastructure in the UK economy, including renewable energy and real estate. We are the largest solar investor in the UK and our renewable energy assets generate enough electricity to power 730,000 homes. We have also invested £50m into two fibre broadband businesses – Swish Fibre Limited and Jurassic Fibre Limited - which aim to bring full-fibre broadband to underserved homes and businesses in the UK.*

*Earlier this year, Australian company Origin Energy invested £300m into Octopus Energy – our energy delivery business. As a Group, we also have a significant presence in the Australian renewables market. In the last two years, a number of our 70-strong renewable energy team have relocated to Australia, and we have recently finished construction of Darlington Point, the largest solar farm in Australia.*

### **1. What opportunities are there for the UK financial services sector and what provisions do you think the UK should seek on financial services in an FTA with Australia?**

1. Economic ties between the UK and Australia start from a strong foundation. The UK has a larger trade surplus with Australia than any other Commonwealth country – worth £5.1bn to the UK economy in 2019<sup>1</sup>. At the same time, the UK is the second largest source of foreign investment in Australia, with the stock of investment valued at approximately £325bn in 2018<sup>2</sup>.
2. The UK, and in particular London, is perfectly placed to be a focal point of European growth for Australian businesses, and a potential entry point into the US market for them.

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<sup>1</sup> House of Commons Library briefing paper, *Statistics on UK trade with the Commonwealth*, 19 June 2020

<sup>2</sup> [Australian Department of Foreign Affairs and Trade](#)

3. Octopus executives made a number of visits to Australia last year, travelling as part of a delegation with the Lord Mayor of London and visiting incubators in Melbourne and Sydney. While meeting people at these fast growing businesses, it was clear there is significant potential to encourage Australian high growth, early stage companies to open offices in the UK as the next phase of their development. It is important that the UK is the destination of choice for rapidly growing Australian companies, rather than locations like Paris or Berlin.
4. At the same time, the Australian financial services sector offers significant opportunities for UK companies looking to grow in new international markets. According to the Australian Government, Australia's financial services sector is the largest contributor to the economy, contributing around 140bn Australian dollars to GDP in 2016. Australia is also ranked 5th out of 22 countries for fintech adoption by EY, demonstrating how technology is driving rapid change and progress in its financial services sector. The UK Department for International Trade further notes that Australia's population is projected to grow considerably over the coming decades, transforming the cities in the eastern states and spurring demand for urban regeneration. Australia is therefore an extremely fertile market both for financial services and infrastructure investment, something we have found with our renewable energy investments.
5. As mentioned above, Octopus Group has a significant commercial relationship with Australia. We have invested in renewable energy in the country and constructed its largest solar farm – Darlington Point. Our energy delivery business – Octopus Energy – received £300m of investment from Australian company Origin Energy earlier this year. We highly value this relationship and welcome the Government's prioritisation of an FTA with Australia. Maximising trade and investment opportunities as part of a new FTA would have a significant positive impact on UK businesses and the wider economy.
6. Our investment in and from Australia, and the time we have spent getting to know the Australian market, has given us knowledge of the country and its institutions that we think could be useful to the Government as it continues trade negotiations. In particular, we have four suggestions around investment and financial services that we believe would increase the flow of capital and services between the two countries. These are:
  - 1.1 *Create a joint UK/Australia investment fund to support high growth businesses that want to expand from the UK to Australia, and vice versa*

7. Expanding our operations into Australia has opened up numerous opportunities for our business and we know that the same is true for Origin Energy for its investments in the UK. The Government should use the possibility of a new FTA to ensure that fast growing businesses in the UK can accelerate their growth journeys by building similar relationships with businesses in Australia.
8. An effective way of doing this could be to establish a UK/Australia investment fund. Such a fund could receive initial contributions from the UK and Australian Governments – perhaps £100m from each – and be used to support those innovative businesses that are trying to expand their operations from the UK to Australia and vice versa. A fund manager could then be appointed to run the fund and raise further capital from institutions.
9. A dedicated investment fund would create a gateway between markets for fast-growing businesses, accelerate UK-Australian trade relations and benefit UK business on the international stage.

*1.2 Negotiate an exemption for the UK from the Foreign Investment Review Board rules*

10. One of the benefits of negotiating new FTAs with key partners is that we can reset the rules for foreign investment in a way that simplifies processes and makes foreign markets more accessible for UK businesses. As the Sub-Committee will know, the framework for reviewing foreign investments into Australia is set by the country's Foreign Investment Review Board (FIRB). Our experience is that it can be complicated and time consuming to deal with the paperwork required to satisfy FIRB rules.
11. We therefore believe that an exemption from these rules for UK businesses would make investing in Australia more attractive and create a key advantage for UK businesses over foreign counterparts. If an exemption is not feasible, an alternative could be to seek some form of pre-clearance or fast tracking for UK investors.
12. Our understanding is that recent adjustments to the FIRB rules are intended primarily to protect Australian assets and companies from potentially undesirable investors/jurisdictions, and we would hope that the Australian government would be amenable to a streamlined process for UK investors.

*1.3 Agree a protocol for information sharing and mutual recognition between the FCA and ASIC/APRA.*

13. In Australia, the Australian Securities and Investments Commission (ASIC) is responsible for regulating financial markets and the Australian Prudential Regulation Authority (APRA) is responsible for the licensing and regulatory oversight of financial entities to protect the interests of depositors, insurance policyholders and superannuation fund members. They are therefore key bodies for foreign investors to deal with as they look to invest in the Australian market, much like the Financial Conduct Authority (FCA) is for foreign investors in the UK.
14. The trade negotiations with Australia are an opportunity to entrench mutual recognition between the FCA and ASIC/APRA. This would make it significantly easier to obtain a license to operate in both countries, on the basis of existing regulatory permissions already secured in a home country. Our own experience is that it has been time consuming and difficult obtaining ASIC approval for our Australian office, even though we have been a regulated business in the UK for 20 years. This is a potential barrier to the growth of the fintech and asset management sectors.
15. Mutual recognition of registration and licensing processes would also help in establishing a positive and cooperative tone in trade negotiations, demonstrating the trust the UK has in Australian institutions and vice versa.

*1.4 Agree streamlined reciprocal access to the UK and Australia in terms of medium-term (1 to 2 year) visas*

16. Making it easier for UK investors to temporarily “set up shop” in Australia and vice versa would make establishing companies in the two countries much more attractive. Aside from fiscal barriers, immigration obstacles can be one of the biggest inhibitors of the flow of investment around the world.
17. We believe it would be beneficial as part of an FTA with Australia for businesspeople involved in setting up companies (as well as their spouses/children) and new offices to be subject to streamlined visa arrangements. In our experience, it can be complicated and difficult to secure the right visa permissions for getting access to Australia for staff involved in setting up a presence in that market. We understand that Australian companies sometimes feel a similar challenge in securing access to the UK. This demonstrates the importance of better facilitating the movement of people, as well as the movement of capital, to ensuring a thriving investment relationship between the UK and Australia.

**18 September 2020**