

ASX announcement

18 October 2018

Press Commentary in Relation to Regulation

- Afterpay welcomes the opportunity to participate in any industry review and is supportive of appropriate regulation
- Afterpay's customer centric service is highly differentiated from other operators
- Afterpay supports appropriate regulatory oversight from ASIC
- New Zealand Government recognised Afterpay's model is different to traditional credit and recently decided not to include products like Afterpay under local credit regulations
- Our transparent and trust-based approach is reflected by our strong growth (over 2.3m customers and 17,000 merchants) and high levels of customer engagement and satisfaction

Afterpay refers to recent press commentary in relation to a proposed Australian Senate inquiry into parts of the finance sector.

Afterpay welcomes the opportunity to participate in any review to ensure an informed discussion takes place in an appropriate forum and that the differentiated nature of Afterpay's service is clearly understood.

The category 'buy now, pay later' is a relatively new concept that has been applied broadly and inconsistently between several operators with very different characteristics. Our service is highly differentiated from others in that category and outside of it.

Afterpay promotes responsible spending and offers customers a fundamentally different proposition to traditional credit products.

Our model is unique in that we provide a free service to customers if payments are made on time, we do not charge interest or monthly fees, our instalment periods are short, and if payments aren't made on time we immediately suspend a customer's account which means they will never be caught in revolving debt. The vast majority of our revenue is derived from fees paid by retailers and merchants which allows us to offer an interest-free product to consumers.

The overwhelming majority of consumers pay on time and have never incurred a late fee. Afterpay's late fees are capped, minimal and in total are lower than the costs Afterpay incurs when consumers don't pay on time. This means Afterpay, unlike other services, is incentivised to promote responsible use and discourage late payments.

Afterpay is an Australian innovation which provides consumers with a better alternative to traditional credit products and provides consumers with a budgeting tool that aligns with their core values.

Afterpay Supportive of Appropriate Regulatory Oversight

Since its inception, Afterpay has supported regulatory certainty for its unique business model that has benefited millions of Australian consumers. Afterpay has been working with ASIC for some time as the overseer of our sector and the administrators of the National Credit Code (NCC). We have been actively involved and continue to be supportive of ASIC's review into the "buy-now, pay-later" industry as we expect it to highlight the key differences in the services offered across our emerging industry.

In a recent submission to the Senate Economics Committee (August 2018), ASIC outlined key differences in "buy-now-pay-later" products. ASIC said that companies like Afterpay do "not meet the definition of credit within the National Credit Code" as we "extend funds without charging fees or interest."

In light of the regulator believing that Afterpay is not regulated by the NCC we have been working to find an appropriate regulatory solution.

The Design and Distribution Obligations and Product Intervention Powers Bill 2018, currently before the parliament, would extend intervention powers to ASIC for NCC regulated companies. The Intervention powers would allow ASIC to intervene into the market place if they believe a product has, or will likely, result in significant detriment to consumers. In ASIC's submission they recommended that the intervention powers be extended so companies that did not come under the jurisdiction of the NCC are captured (e.g. Afterpay).

Afterpay recognised that the provision of such a power to ASIC would promote higher levels of consumer trust in newer services such as ours, and afford consumers an additional layer of protection without compromising our business model.

Afterpay prepared a submission to the Senate Economics Committee before the announcement of the Senate inquiry was known, regarding ASIC's suggested intervention powers (Refer to website), stating that the company supports extending ASIC's intervention powers. This would give the company, our merchants and consumers regulatory certainty as well as increase public confidence in our product.

Recently, the New Zealand Government recognised Afterpay's model is different to traditional credit and decided not to include products like Afterpay under local credit regulations for reasons including that there is very limited evidence of harm. They said that they may wish to broaden their powers to be able to intervene should harms be identified.

The Company continues to strongly grow its platform of returning and engaged customers, world class retailers and small to medium businesses. The Board and management is pleased with performance in all key markets and will keep shareholders informed of material developments.

ENDS

Investors:	Company:	Media:
David Hancock Group Head e) davidh@afterpay.com.au	Sophie Karzis Company Secretary t) 03 9286 7501 e) sk@ccounsel.com.au	Chloe Rees Cato & Clegg t) 02 8306 4244 e) 0417 665 416

About Afterpay Touch Group

Afterpay Touch Group (ATG) is a technology driven payments company with a mission to make purchasing feel great for a global customer base. ATG comprises the Afterpay and Touch products and businesses. Afterpay is driving retail innovation by allowing leading retailers to offer a service that does not require end-customers to enter into a traditional loan or pay any upfront fees or interest to Afterpay. Afterpay currently has approximately 2.3 million customers and approximately 17,700 merchants on-boarded. Touch comprises innovative digital payment businesses servicing major consumer facing organisations in the telecommunications, health and convenience retail sectors in Australia and overseas.