AFMA

8 June 2018

Manager
Banking and Capital Markets Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: supervisorylevies@treasury.gov.au

Dear Sir/Madam

Proposed Financial Institutions Supervisory Levies for 2018-19

The Australian Financial Markets Association (AFMA) welcomes the opportunity to make this submission commenting on the Proposed Financial Institutions Supervisory Levies for 2018-19.

The proposed levies further reduce the maximum and the restricted levy rate applied to the foreign branch ADIs from one third of that for a domestic ADI to one fifth. This follows on from a reduction in the maximum and the restricted levy rate applied to foreign ADIs from one half of that for domestic ADIs to one third in FY 2017-18.

The stated purpose of this change in calculation parameters is to 'better reflect the cost of supervision of these institutions.' This approach is consistent with the position advocated by AFMA that the supervisory levies should reflect bank risks and the cost of regulation by APRA. The reduction is supported by the affected AFMA member firms.

We note that the adjustments for the expected under-collection of the APRA element of the levies of $1.8 million and the re-coup of the Non-APRA element of the levies of $1.5 million will only apply to the superannuation sector and not to ADIs.

We also note the overall reduction of $34.6 million in the total sectoral levies arrangements for 2018-19, including a reduction of $1 million in the levies to be collected from ADIs.

The clarification on page 7 of the consultation paper that, in line with the Government's objectives for the ASIC Industry Funding Model – in particular, increasing the transparency of ASIC's regulatory costs and activities – it is expected that none of ASIC's costs will be recovered through the Financial Institutions Supervisory Levies from 2020-21, is a welcome step forward in reducing the level of complexity and overlap associated with the funding models that apply to different regulators.

However, it remains the case that AFMA is concerned about the different methodologies that have been adopted by the Government and the regulators in relation to industry funding, cost recovery, supervision levies and industry contributions (however described). Arguably, a more centralised user-pays approach for the financial services sector that is based on a proper assessment of business activities, the risks posed by those activities and therefore the intensity of the regulatory resources that should be applied by the various regulators, would be a simpler, more efficient and cost effective way for the Government to implement cost recovery. This would also be consistent with the Government's current policy approach that those who create the need for regulation should bear the cost of that regulation.

Please contact me on 02 9776 7997 or tlyons@afma.com.au if you have any queries about this submission.

Yours sincerely

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