



MEDIA RELEASE

AUSTRAC Levy Change will Increase Regulatory Burden for Business

14 May 2014

The Australian Financial Markets Association (AFMA) believes that the priority the Government is giving to returning the Federal Budget to surplus over time is appropriate. The budgetary strategy complements the Government's deregulation initiatives to promote economic growth.

However, AFMA is concerned about the announcement in the Budget last night of a significant rise in the AUSTRAC levy, which will increase the cost of regulation for business. This comes on top of large compliance costs associated with major financial regulatory reforms in recent years.

The increased levy is arguably at odds with the deregulation agenda and there is a clear misalignment between the costs and benefits of AUSTRAC supervision. Industry participants will bear the full cost of regime but receive no commensurate benefit.

The benefit of AUSTRAC's activities accrues to all Australians including the Government itself, which receives significant tax revenue as a result of AUSTRAC's activities. AUSTRAC information contributed to 1,428 ATO cases during 2012-13 and resulted in \$572 million in taxation assessments being raised.

AFMA's recent submission to the Financial System Inquiry stated that the current system for cost recovery for financial regulation is flawed, increasing costs for users and making Australia less competitive compared to offshore centres. It needs to be reviewed to provide a more coherent, economically based approach to cost recovery.

The increase of \$79.1 million in the AUSTRAC levy will be phased over the four years to 2017-18. At this point the industry will be required to pay for the full cost of running AUSTRAC, which increases the moral hazard because the incentive for government to have cost effective regulation is reduced.

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Notes for Editors:

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.