Attn:
Treasury - Banking, Insurance, Financial Services
Treasury - Productivity, Competition, Charities
Treasury - Superannuation and Taxation
Climate Change, Energy, the Environment and Water - Climate Change and Energy

Submitted online

2026/27 Pre- Budget submission

The Australian Financial Markets Association (AFMA) is pleased to provide its recommendations for the 2026/27 Federal Budget.

AFMA is the peak industry body for Australia's financial markets industry. We represent over 140 key financial market participants including all major Australian banks, regional Australian banks, leading international banks, global brokers, all government treasury corporations, Australian superannuation funds, asset managers, large energy firms, carbon market participants and critical legal and market infrastructure providers. AFMA members represent the majority of Australia's wholesale financial services sector.

As the Government is well aware, Australia's productivity is in decline while economic growth is patchy. While we welcome the Government's intent to address these issues, we encourage the Government to expedite these ambitions by adopting clear and actionable proposals from industry, from across all key segments of the economy. AFMA's proposals have minimal budget impact, with the majority merely requiring increased resourcing or legislative enactment. Our proposals generate genuine uplifts in the productivity of and ability to deliver economic growth in the wholesale financial services sector.

<u>Treasury - Banking, Insurance, Financial Services</u>

1. *Redefine the Statement of Expectations for ASIC, APRA, AUSTRAC, ACCC, AER, CER, and AEMC to include the objectives of improving productivity, competition, and economic growth. Assessment of actions taken by these bodies should include performance against these goals.*

AFMA welcomed the Treasurer's September 2025 press release in which the Treasurer articulated the Government's intent to alter Statements of Expectations for Commonwealth regulators to emphasise the reduction of red tape and a better balance between outcomes and risk. It is important that regulators be required to consider the best interests of the Australian economy. A refocused approach to regulation and enforcement would boost industry's ability to target growth, realign with other global regulators, and foster a shared ambition between government, regulators, and industry. We recommend the Government issue the revised Statements of Expectations as part of the 2026/27 Federal Budget, if not before.

Australian Financial Markets Association
ABN 69 793 968 987
Level 18, 45 Clarence Street Sydney NSW 2000 Tel: +612 9776 7905 Facsimile: +612 9776 4488
Email: info@afma.com.au Web: www.afma.com,au

2. *Re-consider the Government's role in funding the Compensation Scheme of Last Resort Levy shortfall and re-assess the application of 'retail facing'*

AFMA remains concerned that elements of the scheme's design have created excessive costs and that levying entities unrelated to the financial misconduct to support the scheme sends the wrong message to business and offshore entities looking to grow or commence operations in Australia. We urge government to re-consider the financial role it should play in supporting the scheme while at the same time, take decisive action to bring the scheme under control.

Whilst AFMA appreciates the Government's efforts to limit scheme levies to 'retail-facing' entities, it should be noted this has not been achieved with a range of important international financial firms that predominantly offer wholesale business, being included as liable for levy payment. This outcome harms the reputation of Australia as a place to do business.

3. *Reinstate the Corporations and Markets Advisory Committee (CAMAC)*

AFMA has long advocated for the reconstitution of CAMAC or a similar body to address corporate legislation that inhibits business and materially adds to costs. We have not been alone in this view, with similar requests made by the ASIC Chair, the AICD, BCA and AFMA's peer associations. One of the first key pieces of work CAMAC should be tasked with is to address the reform proposals identified by the Australian Law Reform Commission in relation to the Corporations Act which included the formation of a small group to drive and oversee the required changes to legislation. It is well understood that the Corporations Act slows business and creates cost – a reformed Act is long overdue.

CAMAC was essential in aiding government by providing advice and recommendations to the Minister about matters relating to corporations and financial services law, administration and practice. It is AFMA's view that CAMAC was abolished to the detriment of industry, growth, financial services law and its application. We believe such a body would also be well placed to appropriately consider relevant issues, differentiate where appropriate between wholesale and retail, and oversee industry wide simplification and sophistication of financial services law and regulation. Given the modest budget impact, AFMA recommends its re-establishment.

4. *Task regulators and government departments with considering the consumer duty and legislate growth and competitiveness targets*

Wholesale markets service a separate cohort and sophistication of clients than retail and consumer markets. Much of current legislation and regulation is unwieldy and costly, as it often conflates retail and wholesale issues. To unlock business dynamism this needs to end. This was an issue recently identified by the UK Government who have expressly tasked their financial markets regulators with assessing the impact of the 'Consumer Duty' and whether it unduly complicates wholesale regulation. We recommend that the Government likewise give this task to Australian regulators.

While Statements of Expectations are useful tools, we also encourage government to set out specific growth, competition and productivity objectives for regulators and government agencies. This has been successful in the UK for example, where the Financial Services and Markets Act 2023 legally reformed the regulators' objectives which gave regulators a new secondary objective for them to advance the growth and international competitiveness of the UK's economy and financial services sector, when discharging their duties. We would encourage the Australian Government to set similar targets.

In another recent example, the UK Government considered and identified key areas of financial services where the regulatory burden and requirements were causing delays and slowing the desired rate of authorisations and approval. In response, they set the regulators a mix of targets for rates of approval and authorisation, including statutory ones.

5. *Compel all regulators to conduct annual feedback surveys to seek views and concerns from the entities it regulates*

AFMA understands that some agencies conduct an anonymous annual survey of the entities they regulate to seek feedback on engagement and effectiveness. We think this is an important opportunity for industry to provide its views and should be required of all relevant agencies.

Treasury - Productivity, Competition, Charities

The following recommendations are simple in nature and can be enacted by a modest budget allocation for the necessary associated resourcing.

1. *Implement the findings and recommendations of Council of Financial Regulators' roadmap for better regulation in the financial sector*

AFMA was pleased to provide examples of data burdens and inefficiencies as part of the Council's workstream to identify actions to improve data collection and cross-regulator data sharing. We urge Treasury to prioritise reforms in response to issues identified and begin the two other workstreams established: development of an implementation plan of regulators commitments and prioritising legislative reform opportunities.

2. *Independent Post Implementation Reviews (PIRs) of new legislation and regulatory initiatives should be carried out more frequently*

While a highly important regulatory tool, PIRs are rarely carried out. They should be conducted for material legislative or regulatory change. This must happen to embed a culture of improvement and learning inside government and agencies.

3. *Substantially improve government and regulator communication and consultation practices with industry to avoid unintended consequences and cost for government and industry.*

Government and regulators should not underestimate the waste and unnecessary costs arising from poor engagement and consultation processes that require industry to respond to proposals that are not well conceived or developed. Too often there have been unintended consequences and missed opportunities that could have been avoided by better co-ordination between government, authorities, and industry. AFMA strongly believes that higher quality collaboration will lead to materially better policy and regulatory outcomes for all.

In this regard, AFMA strongly supports the findings made by the Productivity Commission in relation to the current regulatory settings that hinder business dynamism and do not support business. We believe the Commission correctly identified frictions and failings in the current policy and regulatory design process that require urgent reform.

4. *Enhance regulatory impact analysis and disclosures*

Regulatory impact analysis is an important consideration when considering the introduction of new legislation or regulation. However, AFMA believes that the current costs and associated burdens are significantly underestimated. To address this, we recommend that the Office of Impact Analysis require industry and impacted stakeholders to be asked for their estimated impact analysis, as part of the consultation process.

Once new legislation has been introduced to the Parliament, it is important that Parliamentarians have full transparency as to the costs associated in passing any new legislation or reforms to existing legislation and regulation. In this regard, we support the passage of Senator Tyrrell's Mandatory Regulation Impact Statement Bill 2025 which would require Regulation Impact Statement to be prepared and presented when introducing certain legislation and legislative instruments.

5. *Adopt an 'international alignment first' approach, making this the starting position in policy* formation, only diverging from international standards where necessary

Developing policy or regulatory proposals on the basis of pre-existing globally acceptable standards and/ or from other comparable jurisdictions would ensure more efficient regulatory processes and lead to increased productivity for Australia. This would also represent a cost saving as implementation can be streamlined and duplication minimised.

6. *Empower Austrade to champion financial services through a targeted campaign and supporting initiatives*

Growing the economy requires the support of government to champion the nation's key sectors to attract business to and investment in Australia. Industry cannot be the lone voice. With additional funding and resourcing, Austrade is well placed to support investment and business attraction in the financial services sector. The UK has taken recent actions to drive business into the country including launching a scale-up unit to support innovative FinTech firms to grow in the UK, and launching a new Office for Investments, a concierge service to provide a tailored service to companies considering setting up and expanding in the UK. Further, the City of London Corporation acts as a champion for industry. Currently, Australia is without a dedicated champion that publicises the attractiveness of Australia as a place to do financial business and as a destination for capital.

Treasury - Superannuation and Taxation

1. *Utilise the taxation system to incentivise mobile financial business to be done from Australia*

AFMA has long held the view that the tax system is a useful lever to enhance the productivity of the Australian wholesale financial services sector. A key example was the Offshore Banking Unit (OBU) regime, which encouraged businesses to be established in Australia to service offshore clients and counterparties. The success of the OBU regime was a key observation of the 2009 Johnson Report into Australia as a Financial Centre; however, the regime has been repealed.

Given the lack of competitiveness of Australia's headline corporate tax rate of 30%, Australia's taxation settings act as a significant disincentive both for new firms to commence conducting business from Australia and for existing firms to continue to maintain operations in Australia of the current size and scale. AFMA recommends that, in the 2026-27 Budget, the Government articulate the financial businesses and activities that it wishes to incentivise to be undertaken from Australia and ensure that the taxation settings for those businesses/activities are not so uncompetitive to undermine the other factors that attract business to be done from Australia.

AFMA encourages the Government to consider the innovation and dynamism of Australia's financial markets in the context of eligibility for Research & Development (R&D) concessions, to the extent that the innovation bolsters the productivity of Australia's financial services sector. Australia is the current home of mature Fintechs that adopt successful sophisticated trading strategies and technology to enhance the liquidity of global financial markets, supporting Australia's GDP and taxation receipts accordingly. AFMA believes that Australia will need to adopt policy settings that are conducive to these successful organisations continuing to conduct business from Australia.

2. *Support the recommendations of the Board of Taxation review into red tape*

AFMA supports the Government referring the review of red tape and regulatory burden in the tax system to the Board of Taxation. The Board of Taxation comprises eminent tax professionals with considerable experience in dealing with the tax system and hence is well-placed to undertake such a review. AFMA's view is that the calibre of the Board of Taxation and the manner in which the review has been undertaken should result in recommendations that the Government should commit to implementing on a short-term basis.

3. *Reject the Productivity Commission's proposed cash-flow tax*

AFMA participated in the Productivity Commission's review into the role of tax reform to bolster a more dynamic economy. It was with some concern that AFMA reviewed the key recommendation of the Commission, namely the implementation of a net cashflow tax of 5%, to be partially offset by a two percent reduction in the corporate tax rate for large companies.

Increasing the tax burden for the companies that the Government should be encouraging to undertake business in Australia would be a severely retrograde step in terms of Australia's attractiveness as a destination for capital, as well as Australia's productivity and wages. It would send a clear message that Australia is not a jurisdiction that rewards aspiration and is not a place where businesses can be built with scale. In addition, AFMA is concerned that a cashflow tax is not a covered tax for the purpose of Australia's network of Double Tax Agreements, resulting in the potential for double taxation.

Given the significantly detrimental effects of the proposed cashflow tax and the chilling effect that the proposal has on encouraging business to be undertaken from Australia, AFMA recommends that the Government reject the Commission's proposal in the 2026/27 Federal Budget, if not before.

Climate Change, Energy, the Environment and Water - Climate Change and Energy

1. *Provide adequate funding to implement the National Electricity Market (NEM) Review recommendations*

AFMA supports the NEM review recommendations and sees this work as vital in supporting an efficient transition. Implementation of the recommendations should be prioritised and all necessary funding and resourcing made available at the budget.

2. *Consider the risks posed in government underwriting and holding long-term contracts under the Capacity Investment Scheme (CIS)*

With the CIS winding up in 2030, AFMA encourages the Government to carefully consider its risk management settings. With a significant debt from the CIS on the Government's balance sheet, AFMA encourages Treasury to consider establishing a Scheme Financial Vehicle, as the NSW Government recently did through long-term contracts (LTESAs).

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Brett Harper via bharper@afma.com.au or 02 9776 7977.

Yours sincerely,

Brett E. Harper

Brett Harper

Chief Executive Officer