



8 June 2018

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

Email: [supervisorylevies@treasury.gov.au](mailto:supervisorylevies@treasury.gov.au)

Dear Sir/Madam,

**Re: Proposed Financial Institutions Supervisory Levies for 2017-18**

**In brief:**

AIST supports the improvements in the process for raising levies. However, greater transparency, accountability and fairness are needed. Firstly, any discussion paper should be released simultaneously with a Cost Recovery Impact Statement and an updated Regulator Performance Assessment. Secondly, any risk-based approach to levy raising should take into account the volume of regulator activities spent on various entities and sectors (profit-to-member; retail).

AIST welcomes the opportunity to provide a submission in respect of this discussion paper.

As we have noted in previous consultations in relation to the levies, AIST reiterates its support for the strategy underpinning the suite of Government guidelines ('the suite of Guidelines'), including:

- Australian Government Cost Recovery Guidelines<sup>1</sup>.
- Australian Government Charging Framework ('Charging Framework')<sup>2</sup>.
- Regulator Performance Framework ('Performance Framework')<sup>3</sup>.

---

<sup>1</sup> Australian Government, Department of Finance, (2014), cited in a previous footnote.

<sup>2</sup> Australian Government, Department of Finance, (2015). *Australian Government Charging Framework*, Resource Management Guide no. 302. [online] Australian Government. Available at: <http://tinyurl.com/grwr8q> [Accessed 22 June 2017].

<sup>3</sup> Australian Government (2014). *Regulator Performance Framework*. [www.cuttingredtape.gov.au](http://www.cuttingredtape.gov.au). [online] Canberra: Commonwealth of Australia. Available at: <https://tinyurl.com/ydba4k6j> [Accessed 7 Jun. 2018].

We also appreciate the improved transparency through the new ASIC funding model, as well as the production of CRISs going forward. The raising of any levies on the industry must be both transparent, accountable, and fair. While we greatly appreciate the improvements which have been made, we have three key concerns which are all instances of a lack of transparency, accountability and fairness.

### **1. Transparency needs the simultaneous release of a Cost Recovery Implementation Statement (CRIS) with any discussion paper**

There is a lack of transparency given that a CRIS has not been released simultaneously with the discussion paper. The suite of guidelines reinforces the need to have a CRIS from APRA simultaneously with the issue of any proposed levies papers. The discussion paper notes that a CRIS will be released by 30 June. It is difficult for stakeholders – including AIST – to properly assess the discussion paper without a CRIS. Even a draft CRIS would have provided greater transparency.

The lack of a CRIS and the subsequent difficulty in stakeholders assessing the proposed levies is contrary to the Government’s Cost Recovery Guidelines (CRGs). AIST has repeatedly made this point in previous submissions. From the CRGs<sup>4</sup>:

*Each cost recovered activity, regardless of financial value, must be documented in a cost recovery implementation statement (CRIS) before charges commence<sup>5</sup>. The CRIS is an explanatory document that provides key information on how cost recovery for a specific government activity is implemented. It reports how the activity is performing on an ongoing basis. The CRIS is prepared after the Australian Government makes a decision to cost recover the specific activity and it provides the basis for engagement with stakeholders on various aspects of the activity.*

The CRGs further identify that the CRIS “circulation of the draft CRIS is a good basis for engagement with stakeholders”<sup>6</sup>, with the principles of transparency and accountability outlining that the draft CRIS should be circulated to stakeholders at the same time as the detailed cost recovery model.

---

<sup>4</sup> Australian Government, Department of Finance (2014). *Australian Government Cost Recovery Guidelines, July 2014 - Third edition*. Resource Management Guide No.304. [online] Canberra: Australian Government, para.39. Available at: <http://tinyurl.com/plwh2q> [Accessed 7 Jun. 2018].

<sup>5</sup> Entities should use the CRIS template, which is available on the Department of Finance website ([www.finance.gov.au](http://www.finance.gov.au)).

<sup>6</sup> Australian Government, Department of Finance (2014), cited in a previous footnote, para. 99.

While we look forward to the release of the CRIS by the end of June, this is too late for us to consider in making this submission.

## **2. Accountability needs the simultaneous release of current outcomes of the Regulator Performance Framework with the discussion paper**

Page | 3

The discussion paper refers to APRA taking a 'risk-based approach to supervision that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution (or the financial system as a whole) and then direct supervisory resources and attention to these risks.'

AIST recommends that for there to be a direct connection between this risk-based approach and the raising of levies, the most up-to-date regulator performance self-assessment should also be released simultaneously with discussion papers and a CRIS. We appreciate that there is an APRA self-assessment for 2016-2017, but even a draft update would be of assistance in reviewing any levies.

## **3. Fairness needs a risk-based approach to levy raising**

AIST strongly recommends that any risk-based approach to levy raising should take into account the volume of regulator activities spent on various entities and sectors. We continue to maintain this position and believe that any CRIS and the outcomes of the regulator performance framework should contain this information.

Currently, there is no breakdown of which sectors within a superannuation system worth over \$2 trillion are causing greater regulatory focus. Regulator comments have been made that organisational cultures and remuneration structures do drive outcomes. The collection of such data and the consequent raising of levies is important to both protecting members and ensuring regulator accountability and efficiency. AIST recommends that such data could be collected and classified using the APRA categories (not-for-profit and retail, etc).

### **Other matters**

#### *Funding increase for APRA*

Page 4 of the discussion paper refers to a funding increase for APRA of \$2.7 million which is to be recovered through the levy. This amount is for "external legal support and additional contractor-related costs" in relation to providing further support to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. AIST welcomes the extra resourcing to be provided to APRA for their assistance with this important inquiry. We look forward to seeing whether this complies with the CRGs when the CRIS is released.

ACCC

AIST notes that a component of the levy will be used for the ACCC. AIST awaits the CRIS in order to examine this component of the levy.

ASIC

Page | 4

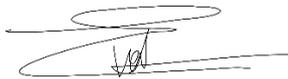
We note that ASIC's costs are to transition to the new industry funding model and will have transitioned out of the Financial Industry Supervisory Levies (FISLs) from 2020-21, with none of ASIC's ongoing costs recovered through the FISLs from 2017-18. In addition, we note that the Superannuation Complaints Tribunal (SCT) will be wound down and no longer in operation from 1 July 2020. AIST queries how this will be managed moving forward and believe that more information should be provided regarding this. We strongly urge that this matter be covered within the CRIS.

*SuperStream*

We reiterate comments from earlier submissions that Self-Managed Superannuation Funds (SMSFs) stand to benefit from the SuperStream reforms in the same way as APRA-regulated funds, the SMSF sector should bear part of the cost.

For further information in relation to our submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3800 or at [rwebb@aist.asn.au](mailto:rwebb@aist.asn.au).

Yours sincerely,



Eva Scheerlinck  
**Chief Executive Officer**

*The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.*

*As the principal advocate and peak representative body for the \$1.2 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.*

*AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.*