

CORPORATE SUPER ASSOCIATION

ABN 97 799 893 065

PO Box 508
Collins Street West VIC 8007
Tel: 03 8319 4075
Email: corpsuper@netspace.net.au
Website: www.corsuper.com.au

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Mr Percy Bell
Corporations and Schemes Unit (CSU)
Financial System and Services Division
The Treasury
100 Market Street
Sydney NSW 2000

Dear Mr Bell

PROPOSED INDUSTRY FUNDING MODEL FOR THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION COMMENTS FROM THE CORPORATE SUPER ASSOCIATION

We refer to the Consultation Paper of 28 August 2015 on the above topic (“the Consultation Paper”).

Background

Established in 1997, the Association is the representative body for large corporate not-for-profit superannuation funds and their employer-sponsors. The Association represents a total of 25 funds controlling \$65 billion in member funds, held in a total of 695,396 individual accounts. In general, these funds are sponsored by corporate employers, with membership restricted to employees from the same holding company group, but we also include in our membership several multi-employer funds with similar employer involvement and focus.

Our comments

Separate funding and accountability for ASIC

The financial services industry requires an understanding of the costs of ASIC supervision and requires ASIC to be transparent regarding its expenditures. Although the annual consultation papers on the industry levy provide broad information regarding the activities to be funded, separate accountability would be helpful.

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We would support the moves to provide a separate funding model for ASIC, if this is the path to greater transparency.

However, we would not wish to see the introduction of a separate levy as a path for imposing additional fixed costs on our funds. We are concerned that under the stepped costs model proposed in Attachment C to the Consultation Paper, costs will increase for many of our funds. This is discussed further under “Funding amounts”.

Nature of activities to be funded

Recoveries by APRA

The Discussion Paper on Proposed Financial Industry Levies for 2015/16 issued by APRA and the Treasury (“the APRA Paper”) indicated that amounts to be collected on behalf of ASIC related to:

- consumer protection;
- financial literacy;
- regulatory and enforcement activities in relation to the products and services of APRA regulated institutions;
- operation of the SCT;
- OTC derivatives market supervision reforms;
- ASIC’s MoneySmart program.

Proposed recoveries by way of ASIC levy

FINANCIAL LITERACY

On page 6 of the Consultation Paper it is proposed that financial literacy programmes to educate investors and consumers on financial matters, which may fall outside the Government’s Cost Recovery Guidelines, should not be recovered by the proposed ASIC levy, and views are sought. We would agree with exclusion of these amounts, which are expended in the general public interest. We would expect the taxpayer to fund educational and financial literacy objectives and the financial services industry and companies to fund ASIC’s regulatory work.

SCT FUNDING

The Discussion Paper raises a proposal to leave collection of the funding for the Superannuation Complaints Tribunal (SCT) as part of the APRA levy. Under the current situation APRA collects the SCT’s levy share, but the administration of the SCT’s share of the levy is under ASIC’s control.

Our preference would be for the SCT to be funded, as at present, on the basis of a budget approved by Treasury, and with cost recovery through levies. As with APRA and ASIC funding, we would wish transparency to apply to budgeting and accountability. It may be administratively simpler for APRA to collect the levy on behalf of the SCT, but we consider that it should be crystal clear how much is available for the SCT and that these funds should then be deployed for the SCT as a completely separate resource.

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PROPOSED RECOVERIES

In Chapter 4 of the Discussion Paper it is proposed that levies would be used to recover ASIC's costs of:

- undertaking surveillance (which includes front-line supervision);
- enforcing the law;
- providing guidance;
- developing advice for the Government;
- engaging with stakeholders; and
- certain activities in relation to educating consumers and investors.

In broad terms these are consistent with the recoveries listed above under the levies collected by APRA, although there is clearly some debate over some of the financial literacy program costs.

FUNDING AMOUNTS

We would therefore expect that the levies to be raised by ASIC would be consistent in amount with the budgeted and actual levies raised previously by APRA on ASIC's behalf. ASIC's budgeted share of financial industry levies for 2015/16 for the superannuation sector was \$10.2 million¹.

We would be gravely concerned if the budgeted recoveries for ASIC, under a separate ASIC levy system, became significantly higher than under the existing model. The aggregate amounts across industry sectors budgeted to be raised on behalf of ASIC through Financial Industry levies in 2015/16 were \$28.2 million².

PROPOSED CHARGING MODEL

Using the budgeted figures from Table 7 in the APRA Paper referred to above, we have calculated the percentage of current allocations to ASIC from the Superannuation Supervisory Levy raised by APRA to be 7.84%. As a rough measure, we have applied this percentage to levies raised for 2015/16 to estimate an ASIC funding share of 2015/16 levies for a range of fund sizes. Our model suggests that the ASIC levy would be lower than current allocations for funds larger than \$3 billion in assets, but would impose a higher burden on funds \$3 billion in assets or lower.

We are keen to avoid the inequities between different sized funds which have arisen in relation to the APRA levy. There is a danger that the proposed stepped structure of the levy will give rise to the same inequities as have arisen in relation to the restricted levy component of the APRA levy. We wish to ensure that costs are allocated equitably between institutions and that any fixed or semi-fixed stepped component fully reflects the supervisory costs of very large institutions. We therefore urge that a graduated approach be adopted, as suggested at Question 42.

¹ Paper, *Proposed Financial Industry Levies for 2015-16*, The Treasury and APRA, 20 May 2015, Table 7

² Ibid.

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Please contact Bruce McBain on 0417 114 421 or Elizabeth Goddard on 0414 325 235 to discuss these issues further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark N Cerché', written in a cursive style.

Mark N Cerché
Chairman
Corporate Superannuation Association