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9 October 2015

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Financial System and Services Division
The Treasury
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Form lodgement on Treasury Website

Dear Sir/Madam,

Reference – Proposed Industry Funding Model for the Australian Securities and Investments Commission

We refer to the Treasury's recent Consultation Paper on the a Proposed Funding Model for the Australian Securities and Investments Commission ("ASIC") dated 28 August 2015. Please find below the submission from the NSX Group ("NSX"), which includes both the SIM Venture Securities Exchange the National Stock Exchange of Australia – both of which are holders of an Australian Market Licence ("AML") to operate Securities Exchanges trading equities, company issued securities, debt securities and miscellaneous investment schemes.

In the submission we refer to the negative impacts on Market Operators in providing a stock exchange facility and services, the Participant Brokers as being members of the facility, the Listed Entities and their advisers.

NSX also proposes two alternative models for funding which are simpler and fairer.

Further Information

If you require any further clarification on this submission, please contact Mr Emlyn Scott on 02 4921 2450 or email at emlyn.scott@nsxa.com.au.

Yours sincerely,

Emlyn Scott
Chief Executive Officer
NSX Limited

NSX Response to the Proposed Industry Funding Model for the Australian Securities and Investments Commission

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Summary of NSX Position

NSX submits that the proposed model and methodology:

- Are flawed and not appropriate;
- Will have the effect of distorting the economic allocation of resources for entities governed by the corporations Act;
- Will stifle innovation by placing further burdens on small to medium enterprises;
- Will over time concentrate risk into larger entities; and
- That there are better alternatives to achieve the funding of ASIC than that proposed.

NSX submits that until the significant flaws listed below are addressed that the funding model in its present form should not proceed. NSX outlines below two alternative models that would be fairer and broader based than the proposed model.

NSX outlines the expected impact that the proposed model will have on the economy generally which stifles innovation and the impact NSX's stakeholders participants as well as the ability to innovate.

For completeness NSX also answers the specific questions contained within the proposed funding model consultation paper.

How the funding methodology and model is flawed

- It does not ask the question "Should ASIC be funded by Industry?". The questions within the paper only relate to the one model presented and therefore a leading questions instead of fully exploratory questions in order to achieve the best outcome not just for the benefit of funding ASIC but for the industry as a whole.
- The paper has only partially identified the correct consumers of the service. It has ignored consumers of financial products such as shareholders and investors;
- The paper fails to address alternative models for funding ASIC that would more fairly identify the consumer base and therefore spread the fees more fairly and be simpler to implement and manage;
- The paper fails to address the aspect that Government regulation of financial services is a Public Good. Rather than transferring the burden of the cost of such regulation to service providers, benefit and cost are matched when the cost is met from the public purse.Under the proposed funding model ASIC essentially becomes a business providing service for fee. We submit this is not appropriate;.
- ASIC is a natural monopoly provider of enforcement and regulation and therefore, likely any monopoly, would over time extract monopoly rents from the industry. There is no competitor providing similar services that the industry could choose and which would provide a more competitive outcome.
- The paper fails to consider the competitive consequences of industry funding, especially with respect to the charging of flat fees;
- The paper fails to consider the multiplier effect of charging each sector in the industry and the subsequent rise in costs to the end consumer, the ability of industry to pass on the costs in a competitive environment when their clients are also being charged increased fees;
- The paper fails to address how industry would not be subject to exorbitant cost increases over time either through identification of new risks that ASIC identifies or new legislation that Government enacts. This exposes the industry to significant regulatory risk which

directly impacts its profitability. Industry would have no direct control over its own budget for a significant regulatory cost.

- The paper fails to address the flaw in the Murray report which demands that the industry reduces costs while at the same time recommends that ASIC funds itself from industry thereby increasing industry costs. This produces a net transfer of revenue from the industry to the ASIC without any discernible net benefit. It is estimated that at least $1.2 billion over 4 years will be transferred to ASIC. This excludes fee increases, new project costs, and consumer price index increases. The industry would have to attempt to increase costs to consumers in order to maintain margins.
- The paper does not address potential adverse outcomes that may appear. For example, in the financial industry, where there have been significant cost increases the industry participants either leave the industry or consolidate. This has the effect of increasing concentration risk and decreasing competition. The worst case scenario is for an industry participant to become unstable because of increased costs which are out of their control.
- The paper does not address the issue of government becoming the biggest or near biggest creditor of an industry participant. As the funding acts like a tax, again economic theory postulates that Government fees and charges should be economically neutral used to fund an organisation. That is, fees and charges should not be so large as to make the participation in an industry unviable or to create such barriers to entry that new participants (that may be innovative) are dissuaded from entering the industry.
- There are large impacts on smaller Listed Companies. Listing will become less viable as regulatory imposts rise. Less regulated forums for capital raising will become more attractive at the expense of retail investor protections.
- The model ignores the potential conflict of interest which may arise from tensions between ASIC's power to suspend a licence and its revenue collection. If a participant fails to pay on time or is in dispute with ASIC over large fees how would ASIC reconcile and balance its regulatory concerns with its commercial concerns?

Alternative models

Economic theory would dictate that the end consumer should be the one that pays for a service. In the case of a Public Good such as regulation of the Corporations Act the end users are shareholders and investors.

Alternative Model 1: Retain the Registry business to fund ASIC

ASIC currently has at its disposal a service which is able to charge all participants in an incremental way. This is the existing registry business. The advantage of using the revenue from this business is that:

- It generates far more revenue that ASIC's budget;
- Its revenue gathering is incremental and the quantum is small as it is able to charge a broad spectrum of consumers;
- Any excess in revenue over and above the maintenance and improvements to the service and ASIC's budget can still be remitted to the Government;
- ASIC's regulatory integrity (in operating a monopoly business) would not be compromised;
- No increase in administrative costs.

Alternative Model 2: Increase the Company Registration Levy

ASIC currently proposes to charge a $5 levy on each of the 2,000,000 proprietary limited companies. If instead all Limited, Pty Ltd and other entities were levied $200 per year extra then this would raise over $400 million to help fund ASIC. It has advantages in that:

- The revenue base is large and therefore the quantum of the fee is small;
- The fee covers the widest possible stakeholders of the Corporations Act equally and fairly;
- The levy would be economically neutral as it is small;
- The levy is placed as near as possible to the ultimate consumers of the Corporations Act;
- ASIC's regulatory integrity (in operating a monopoly business) would not be compromised;
- The levy would not require exhaustive reviews;
- Easy to implement through existing billing channels;
- Excess money over ASIC's budget can be remitted to consolidated revenue; and
- The Government still retains oversite of ASIC and its budget.

Comments on Funding Model Questions

Chapter 2: ASIC's Activities: (page 7)

1. Do you agree that the exclusion of these activities from cost recovery is appropriate? If not, why not?

> **1.1. Agreed**

2. Are there any other specific regulatory activities undertaken by ASIC, such as those that support innovation, that should not be cost recovered from industry? If so, please provide examples.

> **2.1. Yes.**
>
> **2.2. ASIC's review and process imposed on listing rule changes stifles innovation and compromises time to market for Market Operators. A move from a fee of $150 to $52,000 will compound the stifling of innovation.**
>
> **2.3. There is no comment on how service will be delivered in return for fees charged.**

Funding Model Questions: (page 8)

3. Do you support cost recovery arrangements for ASIC's regulatory activities being consolidated within a single ASIC industry funding model? If not, why not?

> **3.1. Yes.**
>
> **3.2. Because of the efficiency and synergy gains that should be derived.**

4. Are there any activities cost recovered by other agencies on ASIC's behalf that should continue to be recovered by the current responsible agency? If so, please give reasons why.

> **4.1. No.**
>
> **4.2. Where possible the relevant agency should recover fees and charges that are applicable to that agency.**

5. The Government currently recovers most of the costs of operating the MoneySmart website through APRA's supervisory levies. Should these costs no longer be recovered from industry? Why or why not?

> **5.1. Yes.**
>
> **5.2. Where possible the relevant agency should recover fees and charges that are applicable to that agency.**

6. Do you support the SCT continuing to be funded through APRA's levies on APRA-regulated superannuation funds? Why or why not?

> **6.1. No Comment**

7. If the Government decided to introduce an industry funding model for ASIC, would you support not proceeding with the planned review of ASIC's market supervision and competition cost recovery arrangements? Why or why not?

7.1. No.

7.2. The proposed funding plan should not be introduced.

7.3. Even if the plan is introduced the reviews should still take place as they are an important adjunct to determining appropriate resource allocation.

Chapter 3: International funding models: (page 13)

8. Are there any approaches to industry funding adopted by other regulators that you believe should be applied to an industry funding model for ASIC? If so, please describe and provide reasons why.

8.1. No comment.

Chapter 4: The proposed industry funding model: (page 19)

9. Is the proposed methodology for determining the levy mechanisms appropriate? If not, why not?

9.1. No.

9.2. The methodology is flawed as it will not be economically neutral as there are significant cost increases for all stakeholders. For example lodging listing rule changes goes from $150 to $52,000. Listed entities will be paying more to ASIC in annual fees to regulate them than they do to the market operator. Further listed entities will also see price rises from their auditors and other service providers.

9.3. <u>A reasonable test needs to be applied in this context to avoid multiplication of fees and duplication. Why does it cost ASIC more to regulate a Listed Entity than the entities own Market Operator charges?</u>

9.4. The proposed model acts like a Value Added Tax and therefore multiplies the cost increases to all parties.

Funding Model Questions: (page 21)

10. Are there any activities proposed to be recovered through fees that you believe should be collected through annual levies? If so, which activity or activities and why?

10.1. There should be no additional fee for service to Market Operators. This should all be included into one low annual fee (payable quarterly).

10.2. Alternatively there should be a review of ASICs business such that activities that ASIC have taken on over time that do not represent its enforcement of the Corporations Act should be transferred to other Government agencies such as Treasury. For example where ASIC creates modifications to the Corporations Act through its Guidance Notes

and internal Policy regimes such changes and modifications should be managed by Treasury.

10.3. Further exempt operators should also face the same cost profile as do Market Operators in order to provide a level playing field.

11. Is the proposed approach for calculating fees-for-service appropriate? If not, why not?

11.1. No.

11.2. The methodology does not factor in the Public Good of the provision of services by ASIC. That is a higher level of Government funding is required. Nor does the model address administrative complexity, implementation complexity and the multiplier effect of fees.

11.3. Does not factor in that the pricing for fee for service should be based on a Marginal Revenue/Marginal Cost model of pricing rather than a Total Revenue/Total Cost model. The latter is normally associated with monopolistic pricing.

11.4. Does not factor in that ASIC is a monopoly provider of regulation services and therefore does not face competitive price pressures which would normally force a business to allocate resources efficiently and maintain low costs and prices. Any methodology should encompass a competitive pricing model and not a monopolistic pricing model.

11.5. Any synergy benefits and efficiency gains expressed in the Murray Report will be subsumed by the proposed model.

12. Do you have any suggestions for how the proposed methodology for calculating fees-for-service could be modified? If so, please provide details.

12.1. Yes.

12.2. Please refer to the Alternative Funding Models proposed by NSX and also;

12.3. Please see 11.3 above.

Chapter 5: Determining ASIC's annual funding and levies: (page 25)

13. Do you support the proposed process for determining funding for ASIC's regulatory activities under an industry funding model for ASIC? If not, why not?

13.1. No comment

14. Do you think this process will provide industry with certainty as to the fees and levies to be charged? If not, why not?

14.1. No. This is because:

14.2. Business will not have control of the levy imposed on them. Therefore they will not have budgetary control of such a significant value item within their organisations. For instance in NSX's case ASIC will become NSX's second biggest creditor. Over time with CPI and levy increases ASIC could well be NSX's biggest creditor.

14.3. **The fact that a government agency, which imposes a levy, becomes a business' biggest creditor means that this is not an economically neutral outcome and therefore the model is not appropriate. From a public policy perspective the funding model would not have a "light" touch on either industry or the end users of the corporations Act (Shareholders and Investors).**

14.4. **How are businesses expected to cover an additional $500,000 of ASIC's fee levy and generate an equivalent amount of new business each year to cover such a cost let alone provide a profit margin and return to investors?**

14.5. **In a competitive environment a business would attempt to pass on fees and charges to its clients as well as absorb fees. However, as the proposed funding model is also charging extra fees to the clients of NSX, NSX's ability to transfer the cost of the fees to its customers without the potential for losing customers is problematic.**

15. Are the proposed consultation arrangements on the levy mechanisms and funding appropriate?

15.1. **Yes.**

15.2. **Consultation is required.**

15.3. **Further consultation is required on any modification of the funding model as NSX must be able to budget for any fee increases.**

15.4. **This is because greater uncertainty has now been introduced into NSX's budgetary and pricing process.**

16. Do you support ASIC's fees-for-service being revised every three years? Alternatively, would you prefer that ASIC's fees-for-service be revised more regularly?

16.1. **If fee for service is introduced then the reviews should be annual for the first 3 years and then every 3 years. This is so that onerous fees and unexpected outcomes can be address sooner rather than later.**

16.2. **ASIC should be given the ability to waive or reduce a fee if that fee is onerous or has unexpected outcomes.**

16.3. **Any committee or panel that is formed to review fees should have the power to waive fees, reduce fees or eliminate fees and comment and directly influence ASICs budget and spending priorities.**

Chapter 6: Phase-in arrangements and levy administration: (page 28)

17. Do you have any further suggestions for enhancements to be made to ASIC's accountability structure or industry funding model? If so, please provide details.

17.1. Yes.

17.2. If Government is not funding ASIC there is a danger that Government will focus on other areas.

17.3. The model is predicated on Government continuing their oversight. Government should not be given the ability to abrogate their responsibilities concerning oversight and continue to address ASICs spending priorities.

18. How should the Cost Recovery Stakeholder Panel operate? How should the membership be determined?

18.1. Any panel that is formed to review fees should have the power to waive fees, reduce fees or eliminate fees, as well as comment on ASICs budget and spending priorities.

18.2. The panel should include members from smaller operators, listed companies and service providers.

Funding Model Questions: (page 28)

19. Are the proposed arrangements for phasing in cost recovery levies appropriate? If not, what alternative approach would you suggest and why?

19.1. No.

19.2. Given that the model attempts to collect (a) $1.2billion from the industry over 4 years and (b) that there are significant cost increases for all stakeholders then the phase in should be over a longer period, for example 5 years

20. Is it appropriate to set fees to recover ASIC's costs from 1 July 2016? Why or why not?

20.1. No.

20.2. The phase in start period should be extend out to at not start until at least 2018 so that industry has time to prepare their budgets and cost structures to meet the new imposts.

Funding Model Questions: (page 29)

21. Are the proposed administration arrangements suitable? If not, why not?

21.1. No.

21.2. The administrative arrangements are too complex as the number of fees and stakeholders involved is too great and the proposed funding model determination of fees is far to complex.

21.3. NSX's Alternative Funding Model 2 is simple to administer and would eliminate many levies, fees and charges that ASIC wishes to impose.

22. Is it appropriate not to levy entities entering the market part way through the year? If not, how do you propose that these entities be treated?

22.1. No.

22.2. New entities entering should be charged pro-rata fees.

22.3. The low fee associated with NSX's Alternative Model 2 would eliminate this issue and reduce administrator complexity.

23. Is it appropriate for the Government handle the over or under collection of levies through a reduction or increase in the levies payable for the next year? If not, why not?

23.1. No.

23.2. The low fee associated with NSX's Alternative Model 2 would eliminate this issue as excess money would be collected and so the concept of over and under funding disappears.

24. Are additional arrangements necessary to ensure appropriate administration by ASIC of its industry funding model? If so, please provide details.

24.1. Yes.

24.2. The proposed model is overly complex and therefore extra and costly administration would be required.

24.3. Also, please refer to above comments.

Attachment A: Impacts on Companies

Funding Model Questions: (page 36)

25. Are the proposed arrangements for company levies appropriate? Why or why not?

25.1. No.

25.2. For listed companies who are already currently regulated by a market operator, this is double charging or dipping. NSX's minimum fee is $7,100. ASIC's fee nearly doubles this by and extra $6,000. In discussions with at least one listed company they cannot see how the extra fee provides benefits as they are very few dealings with ASIC over and above normal document lodgement activity. The increase in lodgement fees mean that their ASIC costs increase significantly.

25.3. For unlisted public disclosing entities that have to perform the same obligations as listed companies (audit and continuous disclosure as per the corporations Act) that are charged a lower fee of $920.

25.4. Why do these companies have no less surveillance applied to them than listed companies? Therefore the charge should either be the same as listed companies or the listed company fee should be removed.

25.5. All small market capitalised companies on NSX could review the benefits of being a listed entity and move to a lower cost regulatory regime. This would not be the best outcome for shareholders in those companies.

26. Will the proposed levy arrangements for companies be competitively neutral? If not, why not?

26.1. No.

26.2. Listed companies will be charged more than an equivalent but unlisted company.

27. Will the proposed levy arrangements for companies support innovation? If not, why not?

27.1. No.

27.2. Innovation is not support by this fee regime. Economic behaviour will dictate a movement from a high cost to a low cost regime. Listed companies will move from the listed space to the unlisted space.

27.3. Investors will suffer as they will have less information with which to base their information on.

27.4. SMSF holders will find it increasing difficult to value their portfolios if the listed companies they invest in move to the unregulated unlisted space.

28. Will the proposed levy arrangements for companies support small business?
If not, why not?

28.1. No.

28.2. Small companies need capital to grow. As they try grow they will be faced with an increasing level of fees.

28.3. NSX's Alternative Model 2 with its low fee irrespective of the size of the company remains neutral in all aspects and therefore does not distort economic behaviour and supports innovation.

29. Do you have any concerns with 31 March being used as the assessment date for determining market capitalisation? If so, why and what date would you prefer?

29.1. Yes.

29.2. As NSX currently uses 30 June as the date for calculation of market capitalisation for the calculation of Fees. ASIC should use 30 June for the calculation of fees.

29.3. NSX would be required to supply this information to ASIC. Is NSX able to charge ASIC for this service?

29.4. Whenever a Market Operator is required to provide information to ASIC how is the market operator to be recompensed for the time and effort required to provide the information?

29.5. Without a mechanism for compensation ASIC requests can be costly and onerous. As ASIC spends time on these topics this increases ASIC costs which in turn then feeds back into future levy reviews where ASIC submits that they need more funding, hence raising costs to industry. Under this model ASIC is able to charge monopolistic rents and also has a built in mechanism to continually raise levies unchecked.

29.6. NSX's Alternative Model 2 would eliminate this administrative nightmare.

Attachment C: Impacts on Participant Brokers

Funding Model Questions: (Page 48)

36. Do you support the proposed arrangements for AFS Licensees' levies? Why or why not?

36.1. No.

36.2. AFSL holders that are also market participants will be charged both for their participation and also for the fact that they hold an AFSL.

36.3. The concept of charging per authorisation on the licence is complex. It stifles AFSL holders from joining Market Operator facilities thereby concentrating risk into larger organisations.

36.4. NSX does not charge a joining fee to the market which is similar to other Market Operators. It does charge an annual fee of $2,500.

36.5. The proposed ASIC fee is 620% higher than the NSX annual fee. Again there is no discernible benefit to the broker participant associated with this cost increase.

36.6. If introduced it is very likely that broker participant would withdraw from the direct market and therefore ASIC would collect less revenue.

36.7. The paper does not provide any modelling on revenue collection sensitivity. If participants withdraw the remaining participant's share of cost will increase given that ASICs surveillance levels would not decrease.

36.8. NSX submits that additional fees for AFSL holders that are also a participant of a Market should be removed as this is a duplicate fee.

37. Will the proposed levy arrangements for AFS licensees be competitively neutral? If not, why not?

37.1. No.

37.2. The effect of smaller brokers withdrawing from smaller markets with stifle competition, innovation and growth.

37.3. It is also likely that those brokers that are not also members of the ASX may withdraw which will concentrate risk, provide fewer capital raising opportunities for listed companies and reduce liquidity. Stock Exchanges in order to be successful seek to have as many brokers, advisers, investors and listed companies as possible as this creates a community and pool of liquidity which makes the market efficient, able to absorb external shocks and provide a platform for both growth and innovation for the listed company.

38. Will the proposed tiering arrangements support the growth of AFS licensees? Why or why not?

> **38.1. No.**
>
> **38.2. Any fee impost always creates more barriers to entry. If the Government wishes to promote innovation and growth barriers and Government prescribed red tape must be reduced.**

39. Will the proposed levy arrangements for AFS Licensees support innovation? If not, why not?

> **39.1. No.**
>
> **39.2. The net benefit of any productivity produced by innovation well be extracted from the participants and transferred to the Government.**

40. Will the proposed levy arrangements for AFS Licensees support small business? If not, why not?

> **40.1. No.**
>
> **40.2. Any increase in costs in any industry drives consolidation.**
>
> **40.3. Smaller firms with smaller customer bases are always at a disadvantage in being able to pass cost increases onto customers due to lesser market power.**
>
> **40.4. Larger firms are able to pass on or adsorb fee increases much more readily.**

41. Will the proposed levy arrangements for AFS Licensees support access to financial services in regional Australia? If not, why not?

> **41.1. No. Smaller firms tend to have offices in regional areas and provide more specialised and personal services. Costs will either increase for regional consumers as smaller firms try to pass on fees or consumers may avoid high cost small firms and engage with larger firms in Capital cities.**

42. Do you believe that a graduated approach to determining the levy payable by AFS licensees, such as responsible entities and superannuation trustees, would be preferable to the proposed levy arrangements? Why or why not?

> **42.1. This approach seems overly complex.**
>
> **42.2. A more administratively simple approach is provided in NSX Alternative Model 2.**

Attachment F: Impacts on Market Operators

Funding Model Questions: (Page 59)

52. Are the proposed levy arrangements for MIPs appropriate? Why or why not?

52.1. No. see reasons above but in summary

52.2. ASIC becomes NSX's second largest creditor. Not regulatory neutral.

52.3. The increase to nearly $500,000 per year is a near 10 fold increase in fees in a short period of time.

52.4. NSX submits that it should be charged no more than the minimum fee.

52.5. The fees will see NSX costs for ASIC regulation increase from 3% to 14% per year.

52.6. In some cases fees have increased from $150 to $52,000. This is out of kilter when only small amendments are requested for listing rule changes. The only work ASIC needs to perform as per section 793E(2) is to provide a copy of the made rules of the Market Operator to Treasury. This activity should not cost ASIC $52,000 to perform.

52.7. NSX's customers, AFSL holders, listed companies, advisers and auditors are also charged increased fees. This will have a multiplying cost effect on NSX's business.

53. Will the proposed levy arrangements for MIPs be competitively neutral? If not, why not?

53.1. No.

53.2. As NSX is a small exchange the increase in costs are out of proportion to the size of its market, number of listed entities, number of participants and therefore its risk profile to the overall Australian financial services sector.

53.3. ASIC becomes NSX's second biggest third party creditor. Therefore the substantial increase in fees is difficult to recoup through cost increases to customers. Larger players are able to absorb the fees for a time and pass the fee onto their customers over time as they see fit to the detriment of smaller market operator competiveness.

53.4. NSX competes on both price and service levels with other exchanges. If there are fee increases with no demonstration to productivity increases through service because the quantum of the fee is so large then NSX will be at a competitive disadvantage.

53.5. NSX has no control over the quantum of fee that ASIC would charge which means that the charges do not satisfy a fairness test.

54. Will the proposed levy arrangements for MIPs support innovation? If not, why not?

54.1. No.

54.2. One way that NSX innovates through rule changes. If the fee for every rule change no matter how small is $52,000 then NSX may not be able to justify innovation through rule changes as rule changes can take 18 months to two years before ASIC agrees. This means that NSX misses market opportunities as potential customers seek solutions elsewhere.

54.3. **This means that the cost combined with procedural delay stifles innovation.**

54.4. **Tiering the fee structure would alleviate some of these concerns.**

54.5. **Tiering should be performed in a similar way to AFSL holders on page 25 where Licencees are group by size of Licencee and then the complexity of a matter to also be tiered.**

54.6. **Operator Tiers: Small Operator, Medium Operator, Large Operator**

54.7. **Fee Tiers within the Operator Tiers: Minor/Technical, Standard, Novel.**

55. Do you prefer an alternative proxy for supervisory intensity on which to determine the levy payable by MIPs? If so, why is this metric more suitable?

55.1. **Yes.**

55.2. **Please refer to NSX Alternative Model 2 (above).**

55.3. **This model is fair and has minimal complexity.**

56. Should the costs of maintaining the AMRF be collected from the entity responsible for making the change or from all MIPs through the annual levies? Please give reasons.

56.1. **The cost of the ARMF should be borne by ASIC alone. If NSX were required to use the ARMF, this would be a further cost imposition for no discernible benefit to NSX or its customers.**

56.2. **ASIC is could compel Market Operators to use ARMF and then charge for the privilege. This is an example (as mentioned before) where stakeholders are levied a charge over which they have no control and receive no benefit.**

56.3. **Further costs could escalate for this system if ASIC decides to upgrade the system and increase levies accordingly.**

56.4. **Without accountability and controls on spending, NSX and other stakeholders would be made to pay significant additional levies.**

56.5. **For these reasons NSX views the Alternative Funding Model 2 as a fairer way of funding ASIC without placing participants under mandatory financial strain thereby increasing regulatory and commercial risk.**

57. Should operating rule changes be funded by MIPs through annual levies or on a fee-for-service basis? Why or why not?

57.1. **No.**

57.2. **Section 793E(2) of the Corporations Act requires ASIC to pass on made rule changes to the Minister as soon as they are received.**

57.3. **There is no further work that ASIC is required to do in this area. The current practice introduces unnecessary administrative burden and delays time to market to implement changes.**

57.4. These charges should be removed as they will stifle innovation and competition.

Attachment G: Proposed Fee Schedule

Funding Model Questions: (Page 67)

58. Are the proposed fee amounts for professional registration, licensing and document compliance review forms appropriate? If not, why not?

59. Do you think that the proposed fee amounts may act as a disincentive for some entities from submitting a professional registration or licence application, or a document for compliance review, with ASIC? If so, why?

60. Do you support the fee payable for applications for relief being tiered based on the complexity of the application? If so, why?

61. Are the proposed fee amounts for applications for relief appropriate? If not, why not?

62. Do you think that the proposed fee amounts may act as a disincentive for some entities from submitting applications for relief with ASIC? If so, why?

63. Would you support the Government only imposing partial cost recovery for applications for limited AFS licences? (See Form P-FS01A and P-FS01B).

63.1. No.

63.2. NSX does not support these fees.

63.3. These fees would disappear under NSX Alternative Funding Model 2.