

File Name: 2014/23

13 June 2014

Manager
Financial System Assessment Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: supervisorylevies@treasury.gov.au

Dear Manager

RE: Proposed financial industry levies for 2014-15

The Association of Superannuation Funds of Australia (ASFA) would like to provide this submission in relation to the consultation paper: *Proposed financial industry levies for 2014-15* ("the Consultation Paper").

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General comments

ASFA does not oppose the recovery through the supervisory levy of expenses incurred by APRA, ASIC, the ATO and DHS, to the extent that these are relevant to the supervision of superannuation funds. We consider it important that the Government agencies that regulate our superannuation funds are well resourced to conduct their usual supervisory activities, as well as implementing the Stronger Super reforms.

ASFA does, however, have a number of significant continuing concerns in relation to the methodology and process used to determine the annual supervisory levies which are not addressed in the Consultation Paper.

In particular, we note that there appears to have been relatively little visible progress made toward implementing the recommendations from two recent reviews:

1. The Australian National Audit Office's recent performance audit of the determination and collection of financial sector levies by APRA and the Treasury¹ ("ANAO Audit Report"); and
2. Treasury's response to its recent consultation on financial industry supervisory levy methodology² ("Treasury Response Paper").

¹ Australian National Audit Office: The Auditor-General Audit Report No. 9 2013-14 - Performance Audit: Determination and Collection of Financial Industry Levies – Australian Prudential Regulation Authority, Department of the Treasury

Executive Summary

ASFA's general concerns in relation to the supervisory levy methodology and process can be summarised as follows:

- APRA has not published an updated Cost Recovery Impact Statement ("CRIS") in relation to the financial industry levies it collects, despite repeated undertakings that it would do so and specific recommendations in the ANAO Audit Report. The lack of a CRIS seriously impedes industry's ability to assess the appropriateness of the levies proposed for 2014-15. ASFA considers that APRA should issue a draft CRIS for industry comment *before* settling the 2014-15 levies and in future should ensure that a CRIS accompanies the proposed levy information whenever there is a variation in the activities subject to cost recovery.
- Insufficient information is available regarding the methodology behind the calculation of the minimum and maximum amounts for the restricted component of the levy.
- The period allowed for consultation on the 2014-15 levies is, as in past years, simply inadequate. ASFA strongly endorses the recommendations of the ANAO Audit Report that Treasury should provide additional time and opportunities for stakeholders to participate in the annual levies consultation process.
- The many issues raised by industry in relation to the SuperStream component of the levy are yet to be addressed. In particular, industry has not been provided with adequately detailed information supporting the amount of the SuperStream component sought to be recovered via the levy, or a proper accounting for the expenditure of amounts previously levied. The component is also applied inequitably, being recovered from APRA-regulated funds only, with no attempt to recover any portion of the ATO's SuperStream related costs from Self Managed Superannuation Funds, and no recognition of the benefits delivered to non-levied entities, such as employers.
- More information is required regarding conclusions drawn by Treasury that it is appropriate to continue to apply the APRA levy methodology to costs recovered on behalf of the ATO, ASIC and the Department of Human Services.

ASFA's concerns regarding the specific matters raised in the Consultation Paper may be summarised as follows:

- While ASFA welcomes the proposal to apply a lower levy rate to Pooled Superannuation Trusts, the information provided is insufficient to enable the industry to assess the appropriateness of the proposed rate.
- Industry has not been given adequate time or information to fully assess the impacts of the proposals to move the SuperStream component from the restricted component to the unrestricted component for 2014-15 (Option 2) and apply a 'per member' levy base to the SuperStream component from 2015-16 onwards (Option 2A). Separate consultation on these changes should be conducted following the publication of a detailed CRIS.
- In the event that Treasury proceeds with Option 2 for 2014-15, Option 2A should be subject to more detailed consultation. A rushed consultation and implementation may result in outcomes that are unnecessarily costly and burdensome for funds and/or APRA, and may impact inequitably on particular funds and types of funds. Re-consideration of the arrangements for the SuperStream component should also recognise that there is a broader cohort of beneficiaries from the SuperStream reforms than APRA-regulated funds and their members.
- The information regarding the ASIC component of the 2014-15 supervisory levy fails to identify the amount to be allocated to fund the operations of the SCT.

² The Treasury: The Financial Industry Supervisory Levy Methodology Review, Response Paper, 16 April 2014

1. General comments in relation to levy methodology and process

1.1 *Lack of transparency regarding the costs to be recouped via the levy*

In submissions on financial industry levies over the last several years, ASFA has consistently highlighted the inherent lack of transparency in the process by which the levies are determined and allocated, particularly in relation to the costs that are sought to be recovered by the superannuation supervisory levy.

The issue of transparency was recently acknowledged in both the ANAO Audit Report and the Treasury Response Paper. The ANAO Audit Report in particular noted that – in contravention of Australian Government guidelines - APRA has not published a Cost Recovery Impact Statement (“CRIS”) in relation to its industry levies since 2006-07.

The Treasury Response Paper drew these specific conclusions in relation to transparency of the levies methodology and process:

- There is a need to clarify when the levies are being used to recover costs in a manner consistent with the Government’s Cost Recovery Guidelines and when they are not; and
- There should be increased transparency of how the costs of an activity are recovered through the levies process.³

While we understand that APRA has now undertaken to complete an updated CRIS “by June 2014”, it had not been made public at the time of writing. It is regrettable that industry is once again in the position of considering proposed levy amounts without access to the level of information necessary to make an informed assessment of the level of costs the Regulators are seeking to recover.

Recommendation 1:

- a) Before settling the 2014-15 levy, APRA should publish and seek comment on a CRIS.
- b) In future years, a CRIS should be released whenever there is a variation in the activities subject to cost recovery. In such circumstances the release of a CRIS or any other information supporting the methodology and/or calculation of financial industry levies, and their allocation, should be timed to coincide with the release of the annual consultation paper setting out the proposed levies.

1.2 *Minimum and maximum amount for the restricted component*

ASFA agrees with the conceptual basis for making the distinction between the types of activities covered by the restricted and unrestricted component.

The setting of a minimum and maximum amount with respect to the restricted component relating to supervision makes sense – a number of the costs of prudential supervision are fixed and those which are variable are not in direct proportion to fund assets. However, care needs to be taken to ensure that the minimum and maximum amounts for the restricted component are determined on an appropriate and equitable basis, and that these amounts reflect the *actual* minimum and maximum costs of supervising the entities in the relevant industries, without cross-subsidisation.

³ The Treasury: op. cit., p2

ASFA has, in a number of previous submissions on the levies, noted the lack of transparency around the calculation of the maximum levy amount. The Treasury Response Paper acknowledged industry's concerns that the annual consultation papers provide little explanation of the rationale for the setting of the minimum and maximum amounts.

The Treasury Response Paper also noted the large variations in the maximum amount from year to year. Option 2 in this year's Consultation Paper proposes a significant reduction in the maximum amount for the restricted component of the levy "to reflect the cost of SuperStream being met from the unrestricted component" of the levy. Aside from that reference, there is again no explanation of how the proposed maximum amount for 2014-15 was determined.

The Treasury Response Paper indicates that the CRIS to be produced by APRA will provide more transparency regarding the calculation of the minimum and maximum amounts. As noted at 1.1 above, while the release of the CRIS will be welcomed, it would have been preferable for this information to be available now, to assist stakeholders in assessing the appropriateness of the proposed levies. Our Recommendation 1 above reflects this view and seeks rectification of this prior to the finalisation of the 2014-15 levies.

Recommendation 2:

- a) There needs to be a clear and transparent methodology underpinning the basis upon which the minimum and maximum amounts for the restricted component are set each year.
- b) Both the CRIS to be issued by APRA, and the annual consultation papers, should include meaningful detail about the manner in which these amounts have been determined.
- c) The minimum and maximums should strive to reflect the actual minimum and maximum costs of supervising the entities in the relevant industries.

1.3 Timing of annual consultation papers

The ANAO Audit Report and the Treasury Response Paper both noted stakeholders' concerns that the consultation period on the annual proposed levies was insufficient and did not allow industry to provide considered responses. The ANAO Audit Report recommended that Treasury, supported by APRA, "provide additional time and opportunities for stakeholders to participate in the annual levies consultation process"⁴.

Industry was afforded 14 business days to respond on this year's consultation paper. This is slightly longer than the average of 10 business days provided over the previous five years noted by the ANAO, but in ASFA's view a minimum 4 week consultation period is generally required to allow a fully considered response. A longer consultation period would be necessary in any year where a significant change to the levy methodology was proposed.

Both the ANAO Audit Report and the Treasury Response Paper noted that the consultation period is constrained by the short period between the release of the Commonwealth Budget in May and finalisation of the levy determinations before the start of the next financial year. The ANAO Audit Report urged Treasury to endeavour to release the consultation paper on, or shortly after, Budget night if there are no fundamental changes to the levy arrangements. This was acknowledged in the Treasury Response Paper, which conceded that "there may be scope to release the annual consultation papers closer to the release of the Budget".

⁴ Australian National Audit Office, op. cit., recommendation 1(a), paragraph 2.51

While ASFA accepts that this year's consultation paper does propose changes to the levy arrangements, we would hope that in future years where the levy methodology remains consistent, the annual consultation paper will be released either with, or immediately following, the Budget.

The ANAO Audit Report further noted that:

- (i) Treasury could consider recommending to government that the setting of levies be moved to another time of year, to enable an extended consultation period.⁵
- (ii) In a more fundamental change, an opportunity could be created for APRA, Treasury and relevant stakeholders to meet periodically outside the levies cycle to broadly consider and discuss levies and resourcing matters.⁶

ASFA strongly supports these suggestions and would welcome the opportunity to participate in discussions outlined at point (ii).

Recommendation 3:

- a) As suggested by the ANAO, Treasury should recommend that government changes the time at which levies are set, to enable an extended consultation period, and engage with stakeholders on levies matters outside the levies cycle.
- b) Pending implementation of the above measures, Treasury should ensure that the annual consultation paper is released with, or as soon as possible after, the Budget, to provide industry with the maximum possible time to provide a considered response.

1.4 SuperStream levy component

In addition to the specific concerns noted at 2.2 below regarding the proposal to adopt a 'per member' levy base for the SuperStream component, ASFA has more general concerns about the calculation of the amount to be recovered via the SuperStream component and the fact that recovery is sought only from APRA regulated funds. Each of these concerns has been raised in prior submissions on the levy.

Lack of transparency over calculation of the SuperStream component

ASFA has commented extensively on the lack of meaningful detail about the activities being funded by the SuperStream component – for example, the various activities being performed, the anticipated deliverables, the basis on which expenditure has been incurred, and a breakdown of past and anticipated costs.

We note that no additional information has been forthcoming over the last year to help industry understand how the SuperStream component has been calculated, and how a projected recovery of this magnitude - \$421.8 million over the period 2011-12 to 2017-18 - is to be justified.

In addition, we note that in December 2013 the present Government announced that it will not proceed with a number of SuperStream initiatives announced by its predecessors. While it is presumed these initiatives were to have been funded from the SuperStream component, no information has been forthcoming about any corresponding reduction in the SuperStream component to be recovered in future years.

⁵ Australian National Audit Office, op. cit., paragraph 2.18

⁶ National Audit Office, op. cit., paragraph 2.16

Lack of transparency over expenditure of the SuperStream component

The SuperStream component of the levy is based on *anticipated* expenditure. Good practice dictates that where amounts have been raised with respect to anticipated expenditure, evidence should be provided to those paying the levy that it has been fully applied to those activities and not underspent or misapplied. This is a matter which featured strongly in industry comments to the most recent review of the government's Cost Recovery Guidelines, in addition to the need for early consultation on a proposal to recover government's costs.

ASFA is concerned that this basic practice has not been undertaken with respect to the 2013-14 SuperStream component as part of the 2014-15 levy proposal.

Application of SuperStream component only to APRA-regulated superannuation entities

ASFA has previously noted that Self Managed Superannuation Funds (SMSFs) will benefit from the SuperStream initiatives through more efficient rollover processes from other funds and also more efficient mechanisms for receiving contributions from employers who do not have a direct connection with the SMSF trustees. Despite this, SMSFs are not required to contribute toward the ATO's cost of implementing SuperStream in the same manner as APRA-regulated funds.

As outlined in our submission to the Parliamentary Joint Committee in relation to the 2012 legislative amendments which introduced the SuperStream component into the levy regime, ASFA considers that the levy amount recovered from APRA-regulated funds should relate to the amount of SuperStream activity directly attributable to APRA-regulated funds.

In particular, the implementation of SuperStream applies across the whole system, including the SMSF sector. We can see no reason why the SMSF levy legislation cannot be amended to allow a levy to be applied.

The proposal in this year's Consultation Paper to adopt a 'per member' levy base for the SuperStream component, rather than an asset base, should now trigger reconsideration of the previous decision to exempt SMSFs from payment of the SuperStream levy.

It is, in ASFA's view, entirely reasonable to apply a 'per member' SuperStream component levy to SMSFs. While the amount of revenue recouped from each SMSF would be modest, the total recovery across the SMSF population would be meaningful and would result in a more equitable and appropriate distribution of the ATO's SuperStream costs across all funds. We note that it should be a relatively straightforward – and inexpensive – matter for the ATO to factor this additional charge into its existing levy arrangements for SMSFs.

A further unresolved issue with regards to the SuperStream component is its application only to superannuation entities, and by default their members. One of the key goals of SuperStream, and in particular the establishment of infrastructure to support the implementation of the contributions and payments data standards, is to simplify the employer process of paying superannuation contributions. ASFA has, in a range of forums and submissions, questioned the rationale for the superannuation industry bearing the full burden of the SuperStream component. Consideration needs to be given as to whether, due to the benefits delivered to non-levied entities such as employers, a portion of the SuperStream component should be met out of consolidated revenue.

Recommendation 4:

- a) Treasury and the ATO should provide detailed information supporting the amount of SuperStream component sought to be recovered via the supervisory levy and properly account for the expenditure of previously raised levies.
- b) The levy imposition arrangements should recognise that the beneficiaries from the SuperStream changes are not limited to APRA-regulated superannuation funds and their members. In particular, Treasury should reinvestigate options to subject SMSFs to the SuperStream component of the levy, and consider whether a portion of the SuperStream component reflecting the benefits delivered to non-levied entities, such as employers, should not be met out of consolidated revenue.

1.5 Recovery of other agency costs using APRA methodology

In addition to the specific SuperStream component of \$71.7 million for 2014-15, the Consultation Paper sets out a total further recoupment of \$23.5 million of costs in relation to activities performed by agencies other than APRA.

The Consultation Paper indicates that \$7.1 million will be recouped for the ATO (in relation to administration of the Lost Member Register and Unclaimed Superannuation Money regime) and \$4.5 million for the Department of Human Services (in relation to administration of the early release of superannuation benefits on compassionate grounds). By deduction, it appears that \$11.9 million will be recouped on behalf of ASIC, to cover costs related to the Superannuation Complaints Tribunal as well as other activities

As in prior years, ASFA is concerned at the lack of meaningful detail provided to support – and justify - these figures. Feedback received by ASFA indicates that in many instances trustees do not see any correlation between the funding provided to agencies for certain functions via the levy, and the actual delivery of those functions.

In addition, ASFA endorses the conclusion reached in the ANAO Audit Report, made in the context of the introduction of the SuperStream component of the levy:

Finally, the significant increase in levies funding for other Australian Government agencies dealing with financial institutions in recent years has in one instance introduced additional complexities in setting the APRA levies according to the cost of its prudential regulation. It has also brought into question whether this continues to be an appropriate approach for calculating levies on behalf of these other agencies.⁷

The ANAO formally recommended that the Treasury and APRA consider, as part of their review of the financial industry levy methodology, the “appropriateness of applying the APRA financial levy methodology to calculate the levies collected by APRA on behalf of other Australian Government agencies”.⁸

This recommendation was acknowledged by APRA in its response to the ANAO Audit Report, in these terms:

The ANAO’s observation confirms APRA’s view that the ‘shoehorning of non-APRA related levy collections (for example, the Superstream levy) into the existing levies methodology may generate suboptimal (in terms of equity) levy imposts upon individual or groups of institutions.

Reliance on the current APRA levies methodology for the collection of other proposed non-APRA-related levies may compound any distortion in individual levy outcomes.

⁷ National Audit Office, op. cit., paragraph 3.54

⁸ National Audit Office, op. cit., paragraph, recommendation 2(c), paragraph 3.56

As such, APRA will support the Treasury in investigating the development of separate models for non-APRA-related collection, subject to time and resourcing constraints.⁹

The Treasury Response Paper also acknowledged the ANAO recommendation. The Paper proposed reallocation of a number of other agency cost recoupments from the restricted component to the unrestricted component of the levy – and these proposed reallocations are reflected in Option 2 as set out in this year's Consultation Paper. Treasury has not otherwise commented on the appropriateness of continuing to apply the APRA levy methodology to other agency costs. As a result, it is unclear to industry whether any further changes may be planned, and difficult for industry to assess the reasonableness of the revised methodology proposed in this year's Consultation Paper.

Finally, we note that the National Commission of Audit recently recommended that certain of ASIC's activities – including those in relation to financial literacy - either cease or be reallocated to the ACCC. It is presently unclear what implications this may have for the cost recovery of these activities via industry supervisory levies.

Recommendation 5:

Treasury should release more information regarding its consideration of whether it is appropriate to apply the APRA levy methodology to other agency costs, to enable industry to better assess whether these cost recoupments are reasonable.

2. Specific comments on matters raised in the 2014-15 consultation paper

2.2 Proposal to apply a lower levy rate to Pooled Superannuation Trusts ("PSTs")

ASFA has, in a number of previous submissions, highlighted concerns with the operation of the levy methodology in relation to superannuation fund assets invested in PSTs. In particular, we have noted that the assets used to calculate the levy for a superannuation fund include any assets invested in a PST, with those assets used again in calculating the levy payable by the PST. In effect, this represents double counting of assets and results in members of funds invested in PSTs paying the levy twice.

Accordingly, ASFA welcomes the proposal outlined as Option 2 in the Consultation Paper which would apply a reduced levy rate to PSTs for both the restricted and unrestricted levy components. In our view, this outcome is consistent with the policy intent behind sub-section 7(4A) of the *Superannuation Supervisory Levy Imposition Act 1998* (pursuant to which the annual levy Determination is made), which provides that a determination may make different provision for different classes of superannuation entity.

The proposed approach also recognises that a lower level of supervisory activity is required for prudential regulation of PSTs. In particular, it recognises that PSTs do not engage with individual fund members, and therefore should not bear the portion of the levy which funds activities of the ATO, ASIC and the DHS.

Feedback received by ASFA is generally supportive of the proposed treatment of PSTs under Option 2, however some concern has been expressed that the proposed levy rate still appears to be relatively high. Given the lack of detailed information provided regarding calculation of the total costs to be recouped via the levy, it is difficult to assess the appropriateness of the proposed levy rate.

In previous submissions, ASFA has specifically recommended that the levy should apply to PSTs, including proposing differential rates depending on whether the PST is 100% "owned" by a single fund, or has multiple

⁹ Audit Office, op. cit., p97

fund investors. Advice from ASFA members indicates that there has not been a detectable change in APRA's supervision activity following the establishment of a 100% 'owned' PST. In the absence of detailed information on APRA's proposed supervisory regime with respect to PSTs, it is difficult to make a strong recommendation with respect to differential rates for subsets of PSTs based on their ownership structure. However, ASFA requests that this matter be specifically addressed as part of the proposed CRIS process.

Recommendation 6:

- a) Treasury should adopt 'Option 2' for determining the levy payable by an entity in 2014-15, levying PSTs at a lower rate than other superannuation entities.
- b) APRA should publish, in its CRIS, sufficient information to enable industry to form a view as to the appropriateness of the levy rate for PSTs.

2.2 Proposed inclusion of SuperStream component in unrestricted component and use of number of fund members as levy base

ASFA's general concerns regarding the calculation of the amount to be recovered via the SuperStream levy and the manner in which it is calculated are outlined at 1.4 above.

In ASFA's previous submissions on levies, we have offered our view that since the SuperStream component does not relate to APRA prudential regulatory activity it should, in 2012-13, have been allocated to the *unrestricted* component rather than the *restricted* component of the supervisory levy. We note that proposed Option 2 adopts this approach, reflecting concerns raised in the ANAO Audit Report and the Treasury Response Paper about the allocation of the SuperStream component.

We have also previously submitted that a levy methodology incorporating a mix of assets and number of members may yield a more equitable outcome for the supervisory levy generally and therefore represents good public policy. In particular, we have given in principle support for a model that uses a 'per member' levy base for the SuperStream component, as now proposed in Option 2A.

However, ASFA is strongly of the view that industry has not been given adequate time or information to properly consider the implications of these very significant changes to the treatment of the SuperStream component for 2014-15 (Option 2) and 2015-16 onwards (Option 2A). Material changes of this nature have the potential to create unintended adverse impacts, if their development and implementation is rushed. In ASFA's view, a consultation period of 14 business days is simply inadequate to consider changes of this magnitude – a minimum consultation period of 8 weeks would have been more appropriate.

The unreasonably short timeframe for consultation, as well as the absence of a comprehensive CRIS, makes it extremely difficult for stakeholders to reach a considered and informed assessment of the potential implications. ASFA considers that the proposed changes relating to the SuperStream component should be the subject of a separate consultation. This should occur *after* publication of a CRIS which provides adequate information for industry to fully understand how the SuperStream component is determined and allocated across funds currently and under each proposed option.

We understand the time constraints around determining the final levies for *2014-15* (although see 1.3 regarding our continuing concerns about that process). However, those constraints do not, in our view, outweigh the need to observe good consultative process and achieve a measured and equitable outcome.

In this respect, we recommend that Treasury considers any and all options to provide industry with further time for consultation on these proposals, even if that means delaying finalisation of the levy determination.

Recommendation 7:

Treasury should conduct further consultation on the proposed changes to recovery of the SuperStream component for 2014-15 and later years, following the publication of a detailed CRIS.

In the event that Treasury proceeds with finalising the levy determination for 2014-15 without further consultation, we would make these additional points in relation to Option 2A:

- 1) The Consultation Paper indicates that any move to a 'per member' levy base for the SuperStream component would not apply before *2015-16 at the earliest*. Even taking into account the time APRA would need to change its billing systems, there would appear to be ample scope to allow for a longer and more comprehensive consultation on this point. A minimum consultation period of eight weeks should be provided, and the consultation should not commence until the comprehensive CRIS has been published and the 2014-15 levies have been determined, so that stakeholders have access to all relevant information.
- 2) Feedback received by ASFA indicates that a 'per member' levy base for the SuperStream component may lead to an inequitable outcome for particular types of superannuation entities, for example Eligible Rollover Funds (ERFs).

ERFs are a small, highly identifiable pool – the APRA website currently shows only 14 Registrable Superannuation Entities registered as ERFs. ERFs typically have high numbers of members with low account balances. Those members generally have very low rates of transaction activity within the ERF and therefore will not benefit from many of the SuperStream initiatives. Many ERF members will, however, have an active account in another fund and will – under the proposal – effectively bear the cost of the per member SuperStream levy in that fund.

Feedback received by ASFA suggests that the levy payable by one ERF would increase from around \$140,000 to over \$1.5 million if the proposed model were adopted for 2015-16 (albeit modelled utilising the proposed levy rates for 2014-15). A levy increase of this magnitude would have a significant adverse impact on these – already low balance – accounts. Possible solutions to avoid such an outcome include providing a full exemption – or a significantly reduced per member rate – for ERFs.

- 3) We are now several years into the scheduled collection period for the SuperStream component, and Treasury had not, until the release of the Response Paper, indicated any intention to potentially change to a 'per member' levy base. As a result, many funds will – quite reasonably – have factored the anticipated recovery for the SuperStream component into their forward budgeting by applying the current methodology.

As Option 2A would in effect 'move the goalposts' at a relatively late stage, it would not, in ASFA's view, be reasonable for any fund to be levied more for the SuperStream component under any revised arrangements, than would have been charged under the current arrangements. This may require any potential shortfall to be met from consolidated revenue; it should not be borne by other funds.

- 4) The SuperStream component is currently applied only to APRA-regulated superannuation entities, and by default their members. As noted at 1.4 above, ASFA considers it appropriate for a portion of the SuperStream component to be met out of consolidated revenue, given the benefits delivered to non-levied entities such as employers. We also consider that a 'per member' levy base for the SuperStream component could - and should - be applied to SMSFs.

Recommendation 8:

In the event that recommendation 7 is not accepted and Treasury proceeds to finalise the 2014-15 levy, further consultation should be undertaken in relation to the proposal in Option 2A to adopt a 'per member' levy base for the SuperStream component for 2015-16 onwards, with a view to ensuring that:

- a) Superannuation funds (and APRA) are not required to make expensive and administratively burdensome changes to systems and disclosure documentation for a relatively short-lived cost recovery;
- b) The amended levy arrangements do not create inequity for particular types of superannuation funds, for example ERFs;
- c) The maximum amount of SuperStream component recovered from any individual fund under any revised arrangements should not exceed the amount that would have been levied under the existing arrangements; and
- d) The levy arrangements recognise that there is a broader cohort of beneficiaries from the SuperStream reforms than APRA-regulated superannuation funds and their members.

2.3 Absence of specific funding allocation for Superannuation Complaints Tribunal

While the Consultation Paper notes that part of the levy collected on behalf of ASIC is used to defray the costs of operation of the Superannuation Complaints Tribunal (SCT), it does not allocate a specific amount for that purpose.

This is a marked departure from the approach taken in prior years' consultation papers. For example, the paper issued in relation to the proposed 2013-14 levies indicated that the ASIC component of the levy included \$5.8 million for the operation of the SCT.

ASFA is of the view that the provision of specific and adequate funding to the SCT via the ASIC component is critical. It provides the SCT with certainty as to resourcing and an appropriate level of autonomy, while also contributing to the systemic transparency and accountability of ASIC. We would be concerned if the failure to include a specific funding figure in this year's Consultation Paper indicates that a specific funding amount has not been allocated to the SCT.

Recommendation 9:

The amount of funding allocated to the SCT from the ASIC component of the 2014-15 supervisory levy should be separately identified.

* * * *

If you have any queries or comments in relation to the content of our submission, please contact Senior Policy Adviser, Julia Stannard, on (03) 9225 4027 or by email jstannard@superannuation.asn.au.

Yours sincerely

Pauline Vamos
Chief Executive Officer