Submission to Treasury

Proposed Financial Institutions Supervisory Levies for 2026–27

14 June 2026

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Director

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To whom it may concern,

Proposed Financial Institutions Supervisory Levies for 2026–27

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the Treasury consultation on Proposed Financial Institutions Supervisory Levies for 2026–27.

About ASFA

ASFA has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

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If you have any queries or comments in relation to our submission, please contact ASFA Economic Specialist, Andrew Craston, on 0401 016 587 or by email at acraston@superannuation.asn.au.

Yours sincerely

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Proposed Financial Institutions Supervisory Levies for 2026–27

ASFA's long-standing position is to support the adequate and appropriate funding of APRA and other regulators for the superannuation industry. Further, ASFA considers that all regulated entities should contribute to that funding. That outcome is, in ASFA's view, far more equitable and appropriate than funding regulators solely from consolidated revenue. That said, this does not necessarily imply that it is equitable or appropriate for regulators to be funded only from industry levies.

As highlighted in ASFA's 2025 submission, a Productivity Commission paper from 2023 highlighted the potentially distortive impact of industry levies – which have proliferated across a range of Australian industries over last three decades – on efficiency and productivity, and thus the need for the careful, considered design of regulator funding mechanisms.[1]

In that paper, the Commission found that there is a role for industry levies to recover the cost of regulation where the benefits of that regulation involve limiting negative externalities (for example, financial sector instability), or addressing a specific market failure (for example, poor-performing providers remaining in a market).

On the other hand, the Commission also highlighted the potential negative impacts of an over-reliance on levies to recover the cost of regulation. In particular, where cost-recovery is not linked to regulation that relates to a specific externality or market failure, the cost is more likely to outweigh any broader economic/social benefits. If sufficiently high, industry levies can act as a barrier to market entry – which may limit competitive dynamics and future productivity improvements.

As such, where industry does contribute to regulators' funding, it is incumbent upon those regulators to provide transparency and accountability regarding the manner by which they determine their funding requirements and utilise their funding. This provides industry with greater insight into regulators' activities, and builds confidence within industry that regulators are functioning well.

In this regard, the Australian Government's Charging Framework sets out the principles for the design, implementation and review of cost recovery of regulatory activities. The stated principles for cost recovery levies are: **transparency**; **simplicity**; **efficiency** (related regulatory activities should be delivered at least cost); **performance** (the impact of levies on industry, including their sustainability); **equity** (only entities subject to regulatory activities should be levied for that activity); and **consistent** with Australian Government policy priorities and policies. The framework also states that it is not generally appropriate for levies to recover the costs of policy development.[2]

With respect to transparency and equity, while the discussion paper for the proposed Financial Institutions Supervisory Levies (FISLs) for 2026-27 provides more information about high-level regulatory activities compared with previous years, it does not provide sufficient detail for industry to adequately understand how levies are determined – including the proposed rise in levies for 2026-27.

The superannuation industry is facing increased scrutiny, including through the performance benchmarking of products – which incorporates administration fees. FISLs, or other similar industry levies, ultimately will be borne by members – as higher fees (or indirect costs) than otherwise would be

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[1] Productivity Commission (2023), *Towards Leviathan? Industry levies in Australia*, Research paper (https://www.pc.gov.au/inquiries-and-research/industry-levies/).

[2] *Australian Government Cost Recovery Policy* (https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery-policy).

the case, where the burden typically will be greater for members of smaller funds than members of larger funds. As such, ASFA considers it appropriate that a high level of scrutiny should apply with respect to the costs recovered from industry via the FISLs.

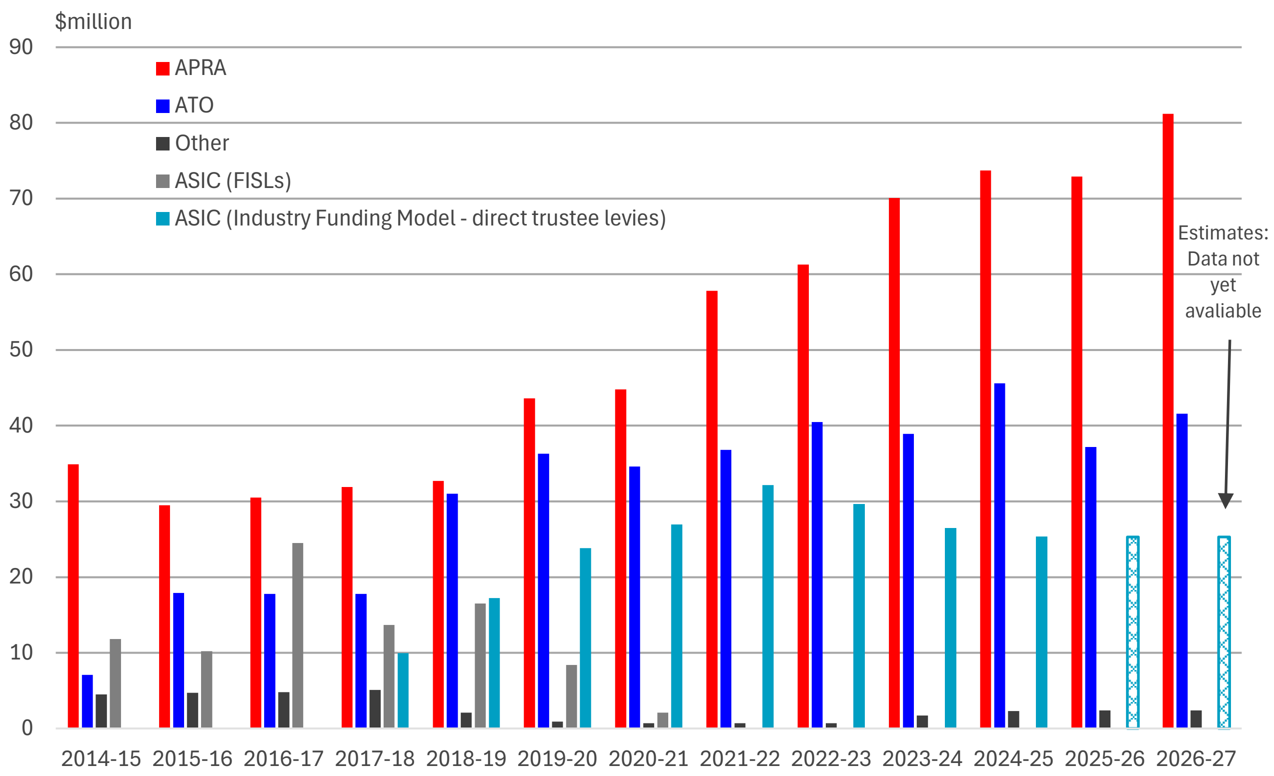
Detailed comments on levy components for the superannuation sector

For the superannuation sector, total proposed FISLs for 2026-27 are $125.2 million, which is $12.7 million higher than for 2025-26 ($112.5 million).

As has been the case over recent years, the superannuation sector FISLs for 2026-27 largely relate to the estimated recoverable cost of regulatory activities of APRA and the ATO (Chart 1). Minor components of the FISLs relate to the Gateway Network Governance Body and Treasury (together these comprise the 'Other' component in Chart 1).

With respect to ASIC, recovery of the costs of regulation of the superannuation sector has shifted gradually over time from FISLs, to levies paid under the ASIC Industry Funding Model (ASIC IFM). From 2023-24 onwards, none of ASIC's costs have been recovered via the FISLs.

Chart 1: Superannuation sector levies: FISLs and ASIC Industry Funding Model



Source: APRA, Treasury and ASFA calculations.

Separately, ASIC has yet to publish its levy estimates (under the ASIC IFM) for 2025-26 or 2026-27. However provisional data suggest a figure in the order of $30 million for the superannuation sector for each year.

- For 2024-25, ASIC's IFM levies associated with the direct regulation of superannuation trustees totalled $25.3 million.

- Additional IFM levies on superannuation funds include those related to the provision of advice, and the provision of life insurance products. Overall, total IFM levies with respect to superannuation trustees for 2024-25 were in the order of $30 million.

Thus, for the superannuation sector, the combined FISLs and ASIC levies (under the IFM) are likely to be around $155 million for 2026-27.

Impact on of higher levies on superannuation fund members

For superannuation funds, levies are ultimately funded from administration fees charged to members' accounts. For the APRA-regulated superannuation industry, the latest annual data show that total administration fees were around $4.3 billion for 2024-25, or around 0.15 per cent of total assets (as of June 2025).[3]

An estimated impact on MySuper members can be calculated (assuming that the cost of levies for funds are distributed on a pro-rata basis, according to the number of member accounts, across superannuation fund members). Given that the 15.4 million MySuper accounts represent around two-thirds of all accounts, then the amount payable by each MySuper member with respect to the combined levies for 2026-27 would be around $7. For all MySuper products, the average administration fee is around $130 per annum.[4]

The estimated impact on members varies significantly according to the size of their superannuation fund. If it is assumed that the average balances of fund members are similar regardless of the size of fund, and equivalent to the system-wide average, then the levy amounts per member for 2026-27 are: around $5 for a large fund ($100 billion), around $10 for a medium fund ($20 billion), and around $13 for a small fund ($1 billion).

FISLs: APRA component

For APRA, the 2026-27 FISLs Paper shows a large increase in the relevant levy component – in respect of the superannuation sector – from $72.9 million in 2025-26 to $81.2 million for 2026-27. The total levy amount for 2026-27 incorporates a $0.8 million recovery of 'under-collected levies' from the previous financial year. The FISLs Paper implies that this does not reflect higher-than-expected expenditure by APRA in 2024-25, but that collected levies were lower than expected.

Compared with a decade ago (that is, 2016-17), the APRA component for the superannuation sector is $50.7 million higher, or 166 per cent higher. This compares with CPI growth over the past decade (March 2016 to March 2026) of 35 per cent.

The provided data suggests that APRA's estimated cost of regulatory effort for the superannuation industry will increase by a larger degree than for other sectors of the financial system. Accounting both the under-collection of levies for 2025-26, and government policy initiatives, the 'base' cost of regulatory effort for superannuation is around 5 per cent higher. The provided data suggests that base costs for the other sectors are either lower or similar to that for 2025-26.

While the FISLs Paper provides more information about APRA's high-level regulatory activities compared with previous years, it does not provide sufficient detail for industry to adequately understand how levies are determined. ASFA considers that future years' FISLs Papers should provide

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[3] As at end of June 2025, total assets of the APRA-regulated sector (excluding small funds) were $3.047 trillion.
[4] Based on *APRA Annual MySuper Statistics*, June 2025.

a more detailed disaggregation of APRA's regulatory activities in respect of the superannuation sector, and the corresponding levy amounts.

FISLs: ATO component

For the ATO, the 2026-27 FISLs Paper shows an increase in the relevant levy component – in respect of the superannuation sector – from $37.2 million in 2025-26 to $41.6 million for 2026-27. The levy amount is below the 2024-25 peak of $45.6 million, but 133 per cent higher than a decade ago.

As has been the case in previous years, the FISLs Paper proposes full recovery of costs related to the Superannuation Lost Member Register (LMR) and the Unclaimed Superannuation Money (USM) frameworks, as well as the early Compassionate Release of Super (CRS) programme.

For the LMR and USM frameworks, the cost component is $13.5 million for 2026-27. The combined recovered costs for LMR/USM are slightly higher than for the previous year ($13.0 million), but lower than a decade ago. Recovered costs relate to the upkeep and enhancement of the required administrative systems.

ASFA supports enhanced ATO strategies and processes to reunite individuals with lost and unclaimed superannuation. However, regardless of the drivers of the decrease in funding, ASFA considers the ATO should assess the effectiveness of its programmes to reunite individuals with lost/unclaimed super, and publish that assessment. The ATO also should make available data on the inward and outward flows of lost/unclaimed monies (in addition to data on the stock of lost/unclaimed monies that the ATO publishes currently).

With respect to the CRS programme, the cost component is $28.1 million for 2026-27, up from $24.2 million for the previous year. Recovered costs have been fairly steady over the past five years.

The 2026-27 FISLs Paper does not provide any information on the drivers of changes in costs – which likely reflects an increase in the number of CRS applications. That said, ASFA acknowledges that the ATO publishes detailed information on the CRS programme, including the number and aggregate value of applications and approvals, on the ATO website.

Transparency and impact of levy rates/thresholds

To account for the increase in total proposed levies for the superannuation sector, the 2026-27 FISLs Paper proposes increases to the levy rates on individual funds: an increase of 9.6 per cent for the levy rate on the restricted component, and an increase of 5.0 per cent for the levy rate on the unrestricted component.

Data provided in the FISLs Paper shows the impact of proposed changes by fund size, which can differ significantly. For example, from 2025-26 to 2026-27, for a fund with an asset base of $100 billion (large fund), levies increase by 6 per cent. In contrast, for a fund with an asset base of $20 billion (medium fund), levies increase by 9 per cent. As noted above, on a per member basis, the estimated impact is greater for members of smaller funds than for members of larger funds.

The Productivity Commission has highlighted potential negative impacts of industry cost-recovery levies. With respect to the proposed changes to the levy rates (and beyond the impact of the proposed rise in levies in the aggregate), consideration should be given to the relative impact within the superannuation sector. This includes not only the relative cost burden of any changes on existing funds, but also the degree to which any changes may raise barriers to entry – which would limit competitive dynamics and future productivity improvements.