Standard Form Regulation Impact Statement (RIS)
Introducing an Industry Funding Model for the Australian Securities and Investments Commission

Contents

Problem Identification

The Australian Securities and Investments Commission (ASIC) is Australia's corporate, markets, consumer credit and financial services regulator. Under the *Australian Securities and Investments Commission Act 2001*, ASIC is charged with:

- maintaining, facilitating and improving the performance of the financial system and entities in it;
- promoting confident and informed participation by investors and consumers in the financial system;
- receiving, processing and storing, efficiently and quickly, the information given to ASIC under the law;
- ensuring that information is available as soon as practicable for access by the public;
- administering the law effectively and with minimal procedural requirements; and
- enforcing and giving effect to the law.

Consistent with these responsibilities, ASIC regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation funds, insurance providers, and deposit taking and credit providers. It is also responsible for the supervision of trading on Australia's domestic licensed equity, derivatives and futures markets. Further, as the consumer credit regulator, ASIC licenses and regulates businesses engaged in consumer credit activities (including banks, credit unions, finance companies, and mortgage and finance brokers).

In addition to its regulatory functions, ASIC maintains a number of business registries.

ASIC currently receives appropriation funding from the Budget to fund its regulatory and registry activities. Only a small proportion of ASIC's funding (around 15 per cent of its departmental appropriation) is collected directly from industry participants (through the Financial Institutions Supervisory Levies (FISL) administered by the Australian Prudential Regulation Authority, fees for market supervision and fees for certain services provided by ASIC).

In addition, ASIC collects revenue on behalf of the Government under the Corporations (Fees) Act 2001 and the Corporations (Review Fees) Act 2003. Under these Acts, ASIC collects fees for matters such as the lodgement and registration of documents, the inspection or search of a register, and annual fees payable by companies and registered schemes. These fees are imposed as taxes and the revenue collected is paid into the Consolidated Revenue Fund.

Accordingly, under ASIC's existing funding model there is a limited relationship between the costs of ASIC's regulatory activities and the fees paid by industry participants who create the need for these activities, especially in relation to the financial services and markets sectors. This can lead to inequitable and inefficient outcomes with stakeholders not recognising the full cost of their actions.[1]

The existing model for funding ASIC is also inconsistent with the Government's Charging Framework, which states that "where appropriate, non-government recipients of specific government activities should be charged some or all of the costs of these activities." That is, where appropriate, those entities that create the need for regulation should bear the cost of that regulation.[2]

Both the Financial System Inquiry (Murray Inquiry) and the Senate Economics Committee have recommended that ASIC be industry funded. Industry funding has the potential to give ASIC more predictable funding, as well as strengthen engagement between ASIC and industry on the costs of conduct and market regulation.

Further information on ASIC can be found at Appendix 1.

[1] This RIS will not be investigating the costs of, or funds collected by, ASIC's registry businesses.

[2] In line with the Government's Cost Recovery Guidelines this decision would necessarily take into account the potential effect of cost recovery on the provision of public services and market competition.

Why is Government action required?

Government action is required to better link the costs of ASIC's regulatory activities and the charges paid by industry for those activities that they use.

Since cost recovery requires greater transparency of regulatory costs and activities, it will ensure that ASIC can be better held to account by regulated entities to ensure that resources are used in an efficient and effective manner and that ASIC is appropriately directing its resources to the areas of greatest risk to the economy.

New legislation and legislative instruments are required to recover the costs of ASIC's regulatory activities.

Options under consideration

The Government is investigating options to assess the costs of ASIC's regulatory activities with regard to the charges paid by industry participants that engage in, and benefit from, these activities. These options are:

- Option 1: maintain the status quo;
- Option 2: recover the costs of ASIC's regulatory activities through a combination of levies, fees-for-service and statutory charges; or
- Option 3: require ASIC to adopt additional transparency and accountability measures in relation to how it employs its resources to deliver its activities so that industry can monitor the cost of ASIC's regulatory activities.

Option 1: Maintain the Status Quo

The Government has the option of retaining ASIC's existing funding model. ASIC would continue to be funded from general taxation revenue and regulatory charges would not reflect ASIC's regulatory costs. No new incentives to improve industry conduct would be introduced.

Option 2: Recover the costs of ASIC's regulatory activities

Under Option 2, the Government would recover the costs of all of ASIC's regulatory activities.

Consistent with the Government's Charging Framework, the costs to ASIC of conducting the following activities would be recovered from industry through a combination of fees for services and cost recovery levies:[3]

- regulating credit providers and credit intermediaries;
- regulating AML, CFSL, and AFSL holders;
- assessing applications for, and applications for exemptions from, AMLs, CFSLs and AFSLs;

[3] Fee-for-service would be appropriate for activities such as licence applications where there is a direct link between the entity creating the need for an activity to be undertaken and the beneficiary of that action. ASIC currently charges a fee for the majority of these services; however these fees do not reflect the costs associated with completing such activities.

- reviewing documents for stakeholders;
- registration fees for regulated entities;
- market supervision;[4]
- the regulation of insolvency practitioners;
- the regulation of companies; and
- the regulation of auditors.

These activities satisfy the Charging Framework in that:

- there is an identifiable entity that benefits from the regulatory activity of ASIC or creates the need for the activity and can be charged;
- the cost recovery charge is closely linked to the specific regulatory activity;
- there is a limited impact of cost recovery on competition, innovation or the financial viability of those that will pay the cost recovery charge; and
- it is not inconsistent with other government policies.

The Department of Finance has concluded that a number of ASIC's activities cannot be recovered in line with the Charging Framework. Consequently, ASIC's costs in undertaking the following activities will be offset through statutory levies:

- administering financial literacy programmes;
- administering unclaimed bank account, life insurance, and companies moneys;
- developing and administering the North Queensland insurance aggregator; and
- funding the enforcement special account.

The use of both statutory and cost recovery levies is for internal government purposes only. Regulated entities will only receive one levy invoice each year, with the total payable reflecting both the 'statutory' and 'cost recovery' components.

To avoid levying industry twice for some of ASIC's activities and to improve the accountability of the collection for these activities, the Australian Prudential Regulation Authority (APRA) would no longer have authority to collect revenue to offset expenses incurred by ASIC relating to some of its market integrity and consumer protection functions, and the regulation of over-the-counter derivatives.

To ensure that the entities that create the need for regulation pay for it, however, the costs of the Superannuation Complaints Tribunal would continue to be recovered by APRA. Similarly, ASIC's costs in relation to the regulation of self-managed superannuation fund (SMSF) auditors would continue to be recovered through the SMSF levy, administered by the Australian Taxation Office.

A number of the annual levies (including statutory and cost-recovery components) would be graduated using an activity metric for each industry that closely represents ASIC's cost of regulation.

[4] ASIC's costs of market supervision are already recovered in line with the Government's Cost Recovery Guidelines.

That is, the levy payable by an entity would be equal to a minimum amount (representing ASIC's minimum regulatory costs) plus a variable amount linked to the relevant activity metric and, in some cases, a maximum levy where ASIC's costs of supervision do not continue to grow exponentially.

Flat levies are proposed to be used where the amount of effort that ASIC exerts in regulating each entity in a sector is approximately equal, or where the additional regulatory and actual costs of collecting additional data to support graduated levies would offset the benefits of doing so.

Levies are expected to be due and payable in February 2019 to offset ASIC's 2017-18 regulatory costs.

Finally, on 1 July 2018 new fee-for-service charges will be introduced to offset the costs of regulatory activities where the beneficiary of that activity is readily identifiable (for example, a licence applicant). Fees will be payable at the time that the regulatory activity occurs (that is, an AFSL application fee would be payable at the time of application). Fees are not proposed to be introduced until 1 July 2018 to allow for further consultation on the fee schedules and to better understand the effect of any fees on market dynamism.

Cumulatively, these charges will ensure that those entities that create the most need for regulation bear the cost of that regulation.[5]

Since ASIC currently does not collect the data necessary to calculate every levy, legislation would be required to ensure that ASIC can obtain this data from regulated entities. In line with the Government's consultation paper on an ASIC industry funding model issued in November 2016, it is envisioned that ASIC would need to collect additional data from:

- Insurance product issuers;
- Public (listed disclosing) companies;
- Corporate Advisers;
- OTC traders;
- Wholesale trustees;
- Operators of IDPS;
- Payment product providers;
- Superannuation trustees;
- Deposit product providers;
- Credit providers;
- Responsible Entities;

[5] For example, an investment bank with more than $150 million in annual revenue could be expected to pay a higher annual levy than an equivalent institution with less annual revenue.

- Small amount credit providers; and
- Authorised audit companies and audit firms that audit publicly listed entities

While collecting this data will impose regulatory costs on industry and administrative costs on ASIC (that must be recouped), these are expected to be small and outweighed by the benefits of more accurate levy apportionment between regulated subsectors and entities.

Table 1 provides an overview of the proposed funding model. Additional detail on the proposed funding model (for example, relevant activity metrics) are included at Appendix 3.

Table 1: Funding ASIC's activities under Option 2

Activity	Current Method of funding	Proposed Method of funding
Regulation of auditors	Budget funded	Cost recovery levy
Regulation of insolvency practitioners	Budget funded	Cost recovery levy
Regulation of credit providers and credit intermediaries	Budget funded	Cost recovery levy
Assessing Credit Licensee applications	Budget funded	Fee-for-service
Regulation of AML, CFSL, and AFSL holders	Budget funded	Cost recovery levy
Assessing applications for, and applications for exemptions from, AMLs, CFSLs and AFSLs	Fee-for-service (does not align with cost)	Fee-for-service (aligned to ASIC's costs)
Regulation of public and private companies	Budget funded	Cost recovery levy
Administering financial literacy programmes	Budget funded and Cost Recovery levy (FISLs)	Statutory levy
Funding the superannuation complaints tribunal	Cost recovery levy (FISLs)	Cost recovery levy (FISLs)
Reviewing documents for stakeholders	Fee-for-service (does not align with cost)	Fee-for-service
Registration fees for regulated entities	Fee-for-service (does not align with cost)	Fee-for-service
Market Supervision	Cost recovery levy (ASIC)	Cost recovery levy
Administering unclaimed moneys	Budget funded	Statutory levy
Administering the North Queensland insurance aggregator	Budget funded	Statutory levy
Enforcement special account funding	Budget funded	Statutory levy
Regulation of SMSF auditors	Cost recovery levy (SMSF levy)	Cost recovery levy (SMSF levy)

To support cost recovery, ASIC will adopt a number of additional transparency and accountability measures to provide industry with confidence that ASIC is achieving its regulatory objectives at efficient cost. As proposed in the Government's consultation paper issued in November 2016, ASIC would:

- consult with industry on what ASIC perceives to be the strategic risks for the coming financial year, with the outcomes of the consultation informing ASIC's resource allocation;
- consult on its annual Corporate Plan (outlining how it plans to address observed risks);
- be required to complete an annual Cost Recovery Impact Statement (CRIS); and
- report on its expenditure for each regulated sub-sector by regulatory activity.

These reforms would increase transparency by requiring ASIC to better identify where, why and how it is using its resources. This also ensures that ASIC is more accountable to the entities it regulates.

Option 3: Introduce Additional Transparency and Accountability Measures

Under Option 3, ASIC would adopt additional transparency and accountability measures, but would not impose cost recovery charges or require the additional data needed to calculate cost recovery charges.

This would provide the market with greater information on how ASIC employs its resources to enable industry and government to assess whether ASIC is using its resources efficiently and in the most effective manner.

What is the likely net benefit of each option?

Conservative estimates of the regulatory costs associated with the introduction of an industry funding model for ASIC are detailed below.

In line with the Office of Best Practice Regulation's (OBPR's) regulatory costing framework we have not included or considered opportunity costs in the formal regulatory costing.

The assumptions underpinning the regulatory cost estimates are outlined in Appendix 2.

Option 1: Maintain the Status Quo

Option 1 would not address the problems identified. Under this option, entities regulated by ASIC that currently do not pay fees or charges to ASIC on an annual basis would not be required to adjust their systems and processes or to do so in the future. Further, ASIC would not be required to collect additional information from industry or to report additional information to allow Government and industry to better assess its effectiveness and efficiency

As this option would maintain the status quo and require no regulatory or legislative changes, there are no regulatory costs or savings associated with this option.

Option 2: Recover the costs of ASIC's regulatory activities

The primary benefits of cost recovery, as outlined by the Government's Charging Framework are:

- that it promotes equity as the recipients of a government activity bear its costs;
- that it can influence demand for government activities;

- that it can improve the efficiency, productivity and responsiveness of government activities and accountability for those activities; and
- that it can increase cost consciousness for all stakeholders by raising awareness of how much a government activity costs.

Economy and Industry

The efficiency of the economy and the use of regulatory resources may improve if the Government adopted cost recovery for ASIC's regulatory activities. This is because direct price signals would influence and shape the industry behaviours that drive the need for regulatory oversight, effectively complementing the Government's and ASIC's existing regulatory regime.

For example, industry subsectors that present a high risk to consumers and have enforcement action taken against them at higher rates will pay substantially higher annual levies than subsectors that present limited risks to consumers and the broader economy. In addition to effectively rewarding industry subsectors that are doing the right thing, it also creates additional incentives for regulated entities to foster a culture of compliance and ensure that they are meeting their legal obligations. This is because doing so should, over time, reduce regulatory costs for that sector.

Economic efficiency may also increase as a result of ASIC's increased accountability to its regulated population. This is because the higher level of transparency required under the Charging Framework should act as an impetus for a more effective and efficient allocation of ASIC's resources that better reflects market risk and better ensure that ASIC's regulatory services are provided at efficient cost. Under the Government's Charging Framework, cost recovery charges must be closely linked to the specific activity and set to recover the efficient costs of the specific activity. This is designed to ensure that regulated entities receive value for money on cost recovered government services. This is not necessarily occurring under ASIC's existing funding model.

An increase in the levies and fees payable by regulated entities could pose a barrier to entry in some markets. This could not only curtail competition, but also limit Australians' access to some essential financial services – particularly in regional areas where large financial service providers may not be available. This is particularly critical when considering the costs of acquiring and maintaining a licence. Potential impacts on competition and innovation have been a focus during industry consultation to identify areas where cost recovery may not be appropriate.

It is also important to consider who will bear the incidence of any cost recovery charge and whether this could negatively affect competition. For example, if large entities can afford for the incidence of the charge to be borne by equity holders, this could allow them to price their services more competitively than smaller organisations that must pass the incidence of any new charges on to their consumers through higher prices.

For these reasons any cost recovery levies would be calculated in a manner that not only ensured that those creating the most need for regulation paid a levy commensurate with the cost of providing this regulation, but also took account of broader competition issues. This would be analogous with the cost recovery model used by the Australian Prudential Regulation Authority.

While the collection of additional data will allow levies to be set more accurately and allow ASIC to better prioritise its resources, it will impose a regulatory cost on industry participants that must comply with the regime. It has been important to balance the benefits of additional specificity in determining the appropriate levy against the additional costs associated with obtaining more granular data from a larger number of entities. Demonstrating this commitment, the proposed ASIC industry funding model relies heavily on data that industry already provides to ASIC for other reporting purposes (see Appendix 3).

ASIC

The primary benefit to ASIC is that additional data collected from regulated entities to support accurate cost apportionment will improve its ability to identify, mitigate, and respond to emerging risks. This will improve outcomes for consumers.

Under an industry funding model, ASIC's budgetary stability should also increase (though the internal allocation of funding for different regulatory activities will likely be more variable).[6] This increased stability in ASIC's funding would allow ASIC to better plan future regulatory activities, which could deliver better outcomes for market integrity and consumer confidence. The International Monetary Fund (IMF) and the International Organization of Securities Commissions (IOSCO) support industry funding for financial market regulators for these reasons.

The Government may still wish to apply efficiency dividends to ASIC to ensure that ASIC is using its resources as efficiently as possible.[7]

Government

The primary benefit for the Government in moving from a budget funded model to a cost recovery model is that funds currently directed to ASIC (approximately $250 million per annum) would be able to redirected for the benefit of all taxpayers, whether through increased spending on priority programmes or through deficit and debt reduction aimed at reducing Australians' future tax burden.

Regulatory Costs

An industry funding model would impose additional regulatory costs on industry. The implementation and operation of cost recovery would increase the regulatory burden on industry in two ways:

- Each year ASIC will levy entities that do not currently already remit an annual fee, levy or charge to ASIC (this will be the case for approximately 65,268 entities) and so those entities will need to establish new payment arrangements; and
- ASIC will require certain entities to provide additional data each year to ensure that any levies are appropriately calculated (this will be the case for approximately 7,415 entities).
  - Table 2 provides an overview of these entities, the data expected to be required, and the year from which data to support the operation of the industry funding model would be required.

[6] Note: Under the industry funding model, the Government will remain responsible for determining the total amount that ASIC can spend each year. Reducing the amount provided to ASIC under the industry funding model, however, will not generate savings for the Commonwealth because it would be offset by a reduction in the levies and fees recovered from industry.

[7] The Australian Prudential Regulation Authority's (APRA's) funding model provides precedence for this. While approximately 96 per cent of APRA's costs are cost recovered from industry they are still subject to 'whole-of-government' efficiency dividends and saving options.

– Data is proposed to be collected from wholesale trustees and payment product providers in the second year of the model's operation to ensure that these entities have relative certainty as to their levies in 2017-18. This is because ASIC does not yet have data available to provide a reasonable estimate of the levy that these entities would be liable to pay under a graduated approach.

Table 2: Proposed new data collection requirements

Industry subsector	Number of entities	Data proposed to be collected:	Data to be collected from:
Insurance product issuers	85	General insurers: Net premium revenue Life insurers: Net policy revenue	Year 1 of IFM.
Public (listed disclosing) companies	2,000	Market capitalisation	Year 1 of IFM.
Corporate Advisers	450	Revenue from corporate advisory activity	Year 1 of IFM.
Responsible Entities	490	Funds under management	Year 1 of IFM
OTC traders	210	Total Full Time Employees engaged in OTC trading	Year 1 of IFM.
Wholesale trustees	1,749	Funds under management	Year 2 of IFM.
Operators of IDPS	35	Revenue from IDPS activity	Year 1 of IFM.
Payment product providers	266	Revenue from payment product provider activity	Year 2 of IFM.
Superannuation trustees	144	Funds under management	Year 1 of IFM.
Deposit product providers	258	Total deposits	Year 1 of IFM.
Credit providers	1,271	Credit provided	Year 1 of IFM.
Small amount credit providers	332	Credit provided under small amount credit contracts	Year 1 of IFM.
Authorised audit companies and audit firms that audit publicly listed entities	125	Audit fee revenue	Year 1 of IFM.
TOTAL	**7,415**		

The actual levies and fees that are paid by industry are not considered a regulatory cost for the purpose of OBPR's regulatory costing framework.

Table 3 details the estimated annual regulatory cost associated with the industry funding model specified in Option 2.

We have assumed that the costs in the first year and subsequent years are the same for making a payment. We have assumed that data reporting obligations will be higher in the first year of the new funding model than in subsequent years due to significant pre-filling of information based on prior-year returns in order to reduce regulatory burden. The other assumptions used to estimate the total cost for each required activity are identified in Appendix 2.

Table 3: Additional regulatory costs associated with Option 2

Required activity	Number of affected entities	Total cost for required activity
Establishing new reporting processes	7,415	$43,002,020
Additional data reporting	7,415	$4,532,641 in Year 1 $1,669,740 in subsequent years.
Cost of making payment	65,268	$2,493,564 p.a.

Table 4 presents the average annual regulatory cost of Option 2; it aggregates the total cost for each required activity in Table 3 over ten years and calculates an annual average.

Table 4: Total regulatory impact of Option 2

Average annual regulatory costs (from business as usual)				
Change in costs ($ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	$8.8 million	$0.00	$0.00	$8.8 million
Cost offset ($ million)	Business	Community organisations	Individuals	Total, by source
Agency	$0.0 million	$N/A	$N/A	$N/A
Are all new costs offset? ☐ Yes, costs are offset ☑ No, costs are not offset ☐ Deregulatory—no offsets required				
Total (Change in costs – Cost offset) ($ million) = **+ $8.8 million**				

A regulatory offset has not been identified. However, Treasury is seeking to pursue net reductions in compliance costs and will work with affected stakeholders and across Government to identify regulatory burden reductions where appropriate.

Option 3: Adopt additional transparency and accountability measures

Option 3, the problems identified would only be partially addressed. The additional transparency and accountability measures adopted under Option 3 would provide the market and government with greater information on how ASIC employs its resources and enable them to better assess whether ASIC is using its resources in the most efficient and effective manner. However, the absence of any cost recovery charges would mean that the incentive to take full advantage of these reporting tools to effectively monitor ASIC's performance would be diminished.

Similarly, the absence of any cost recovery charges would reduce industry's incentive to change its behaviour in order to reduce demand for government services and to improve the efficiency, productivity and responsiveness of government activities. This is because the cost of ASIC's activities will not be borne directly by those who create the need for the activity.

Under this option ASIC would also remain budget funded and so would not have any greater budgetary stability than exists currently.

However, entities regulated by ASIC that currently do not pay fees or charges to ASIC on an annual basis would not be required to adjust their systems and processes or to do so in the future. Further, ASIC would not be required to collect additional information from industry.

No regulatory or legislative changes would be required and there would be no regulatory costs associated with this option.

Consultation Plan

Stakeholder consultation is critical to ensuring that an ASIC industry funding model is understood by the community and does not generate any unintended consequences.

To inform the development of this proposal, the Government released a consultation paper detailing a possible cost recovery methodology and accountability framework in mid-2015. This was followed by a number of industry roundtables in Sydney, Melbourne and Brisbane. Through this process, the Government received 79 submissions from members of industry and the broader community.

The outcomes of this first round of consultation assisted in the refinement of the proposed ASIC industry funding model. These refinements were reflected in the Government's proposals paper issued in November 2016.

The Government conducted public consultation on draft legislation and explanatory materials between 22 February 2017 and 10 March 2017. Twenty submissions were received. On 4 May 2017, the Government released draft regulations for consultation. Consultation closed on 26 May 2017.

The Government conducted public consultation on draft regulations and explanatory materials between 4 May 2017 and 26 May 2017. As of 31 May 2017, 43 submissions had been received.

Formal submissions received during these consultation processes, as well as views put forward at industry roundtables held in November 2016 and throughout the first quarter of 2017, have assisted the Government in finalising the design of the industry funding model.

These consultation processes to support the development of the final model will be supplemented by a range of additional reporting and consultation processes as cost recovery is introduced. This includes consultation on ASIC's strategic risk outlook and the publication of a Cost Recovery Implementation Statement (CRIS) in 2017.

Table 5 provides an outline of the key processes and indicative timing for implementing industry funding for ASIC (also see page 20 of the Government's Proposals Paper issued in November 2016).[8]

Table 5: Consultation and Implementation Timetable

Timing	Process
August 2015	Government consultation paper: Proposed Industry Funding Model for the Australian Securities and Investments Commission
September 2015	Consultation roundtables held during the consultation period
November 2016	Government proposals paper: Proposed Industry Funding Model for the Australian Securities and Investments Commission
November 2016	Consultation roundtables held during the consultation period
February 2017	Consult on legislative package
March 2017	ASIC consults on strategic risks
May 2017	Consult on regulations and final model
May - July 2017	Passage of legislation and regulations approved by Executive Council
June 2017	ASIC publishes forecast cost data and indicative levies for 2017-18
July 2017	Industry Funding Model commences
August 2017	ASIC publishes *Corporate Plan for 2017-18 – 2020-21*
Sep-Oct 2017	ASIC portal open for last year's activity (data collection only)
October 2017	ASIC publishes Annual Report and the Cost Recovery Implementation Statement – allocation of resources to address strategic risks
March 2018	ASIC releases detailed levies, Activity metrics, ASIC consults on Strategic risks (annual)
June 2018	ASIC publishes forecast cost data and indicative levies for 2018-19
July 2018	ASIC fees-for-service commence
September 2018	ASIC portal open for last year's activity
October 2018	ASIC publishes Annual Report and the Cost Recovery Implementation Statement – allocation of resources to address strategic risks
January 2019	ASIC publishes a Notifiable Instrument with business activity details and sends invoices for annual levies
February 2019	Levies due for payment

Preferred Option

Option 2 (that is, introduce an industry funding model and additional accountability mechanisms for ASIC) is the preferred option. This is because:

[8] https://consult.treasury.gov.au/financial-system-division/asic-industry-funding/

- it promotes equity as the recipients of a government activity bear its costs;
- it can improve the efficiency, productivity and responsiveness of government activities and accountability for those activities;
- it can increase cost consciousness for all stakeholders by raising awareness of how much a government activity costs;
- it will allow ASIC to better predict, monitor, and respond to market risks, improving outcomes for consumers; and
- it allows for the redirection of hundreds of millions of taxpayer dollars towards activities that benefit a broader suite of taxpayers.

While Option 2 does have the largest regulatory burden of all options considered ($8.8 million per annum), this is small relative to industry funding's benefits and will decline over time as processes to support additional data collection requirements become 'business as usual'.

Option 1, to maintain the status quo, was not considered a viable alternative to Option 2. Option 1 does not address the underlying problem, which is that there is currently a limited relationship between the costs of ASIC's regulatory activities and the fees paid by industry participants that create the need for these activities.

Additionally, while Option 1 does have the advantage of not imposing any regulatory costs on industry, it also offers no benefits to taxpayers or the broader community.

Option 3 was not considered to be a viable alternative to Option 2 for similar reasons. While increased accountability would likely improve ASIC's efficiency and productivity, it would not increase cost consciousness, create further incentives for industry to improve its conduct, improve ASIC's understanding of market risks, or allow for the redirection of government funds towards activities that benefit a broader suite of taxpayers.

Implementation Plan

Industry funding of ASIC will commence on 1 July 2017. Given the ex-post nature of the model, the first levy invoices are expected to be issued in January 2019. This will allow industry time to prepare and adjust their systems, as required. Fees-for-service will commence on 1 July 2018.

An outline of key implementation processes is included in Table 5.

1. Transition arrangements with other industry levies

ASIC's Market Supervision Cost Recovery arrangements would continue until 1 July 2017 when the proposed industry funding model is in place. Once in place, the amounts currently cost recovered under the Markets Supervision Cost Recovery arrangements, around $20 million per annum, would be recovered under through ASIC's industry funding model.

Similarly, from 1 July 2017 ongoing ASIC funding would no longer be recovered through the Financial Institutions Supervisory Levies (FISLs) (except for costs relating to the Superannuation Complaints Tribunal (SCT)). APRA will continue to recover its own regulatory costs through the FISLs.

Around $23 million of ASIC's current ongoing regulatory activities are recovered through the annual FISLs applied to APRA regulated entities. This includes levies that fund: financial literacy; the operation of the SCT; over the counter (OTC) derivatives market supervision and ASIC's MoneySmart programmes.

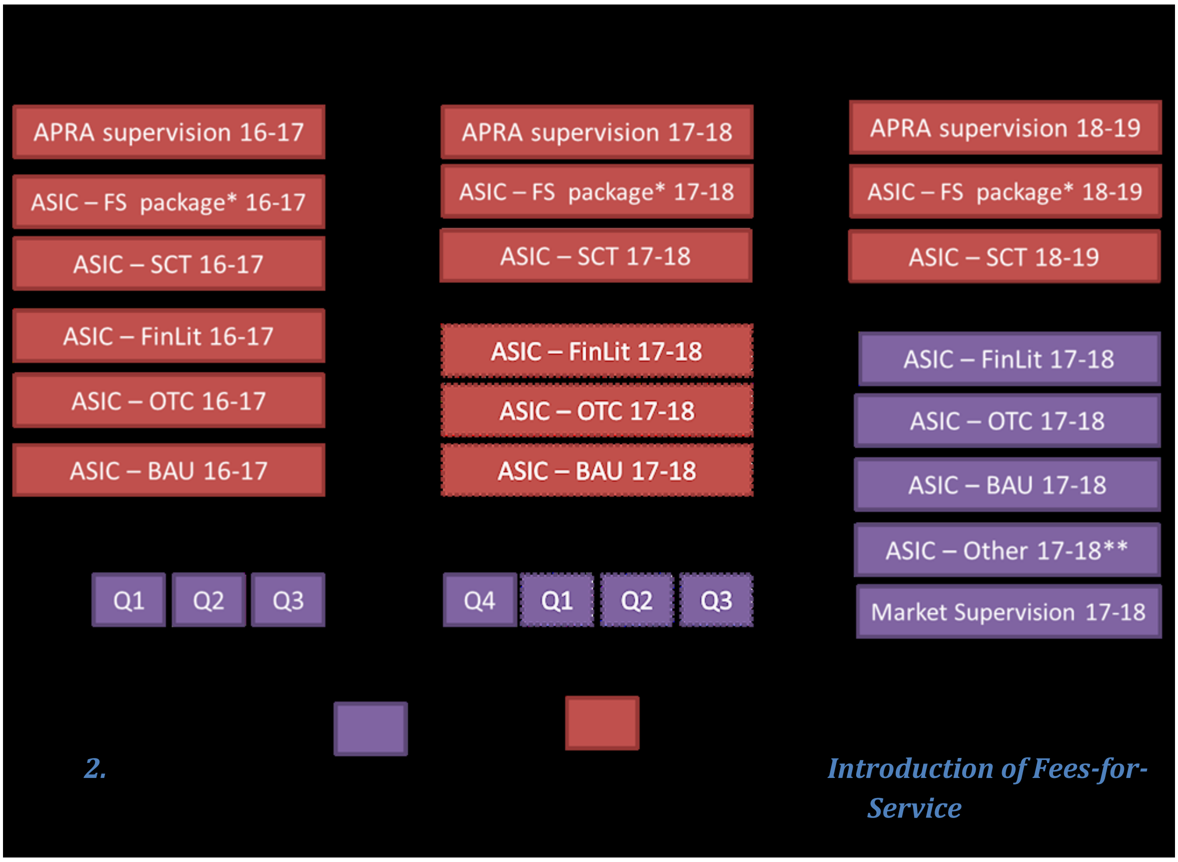
The costs relating to the operation of the SCT would continue to be recovered through the FISLs. This is because APRA undertakes the bulk of regulatory activities related to superannuation. Non-ongoing costs such as the implementation and capital costs from the ASIC reform package announced in April 2016 to improve outcomes in financial services would continue to be collected through the FISL for the remaining two years of funding.

Finally, ASIC's costs of regulating SMSF auditors would continue to be recovered through the SMSF levy administered by the Australian Taxation Office (this is equal to around $6 million per year). This is to minimise regulatory costs for industry.

Figure 1 below demonstrates how the FISL levies would shift to industry funding in 2017-18.

The diagram depicts the period when various levies are liable to be paid, not when ASIC's costs are incurred. For example, amounts to offset the costs of ASIC activities (such as financial literacy) that would, without the introduction of the industry funding model, be recovered through the FISLs in 2017-18 (on an ex-ante basis) will be recovered under the industry funding model in 2018-19 (on an ex-post basis).

Figure 1: Proposed transition arrangements with other levies



From 1 July 2018, ASIC's regulatory activities that are user-initiated and transaction-based would be recovered by a fee-for-service that reflects ASIC's average cost in providing the specific service to individual entities. ASIC's regulatory fee-for-service activities are licence and registration applications, cancellations, de-registrations, variations, document reviews and applications for relief. ASIC's fee-for-service type activities account for approximately 12 per cent of its total annual regulatory expenditure.

Stakeholder feedback has supported the introduction of a fee for ASIC's demand-driven services that recovers ASIC's actual regulatory costs, however stakeholders have expressed concerns that fees may pose a barrier to entry in some subsectors.

Consequently, to ensure that fees-for-service can be introduced with minimal impact on industry, the existing fees in the *Corporation (Fees) Act 2001* and Regulations would continue to apply from commencement of an industry funding model in the second half of 2017 until the new fees-for-service schedule for industry funding is introduced. The new fee-for-service regime is scheduled to commence on 1 July 2018.

Legislative framework for cost recovery levies

Legislation is required to give effect to the industry funding model. This was consulted on in February 2017 and introduced in March 2017. The legislation creates a framework that supports digital interactions with ASIC and makes the calculation of sector levies, as well as ASIC's costs in respect of each sector and sub-sector, fully transparent.

The cost recovery and statutory industry levies are a tax for constitutional purposes and require the imposition of the tax to be made through a separate Act. The imposition Act sets out which entities are liable to pay a levy, and imposes that levy on the entity.

ASIC's power to collect levies is set out in the *Australian Securities and Investments Commission Supervisory Levies (Collection) Bill 2017*. Levies would be due no earlier than 30 days after ASIC has issued a notice to a leviable entity setting out their liability to levy. If an entity fails to pay the levy by the due date, it would be subject to pay a late payment penalty of 20 per cent per annum on any amounts that remain unpaid. Similarly, there would also be penalties for non-lodgement of information.

The Collection Bill also sets out reporting obligations on entities that they must report information that is necessary for ASIC to calculate the levy for a sector. As the method for levy calculations may change from year to year, ASIC would have administrative ability to specify the information that it requires to be reported, provided that it is for the purposes of the calculation of the levy.

Evaluation Plan

In line with the requirements set out in the Government's Charging Framework, ASIC's industry funding model will be subject to constant review and evaluation. That is:

- each year the Government will publicly consult on the levies and charges to be imposed and accept submissions regarding the appropriateness of the proposed charges, ASIC's costs, and cost recovery methodology;
- each year ASIC will publish a CRIS;
- at least every five years, the Department of the Treasury will conduct a portfolio charging review of all existing and potential charging activities within its portfolio;
- The regulations stipulating the exact form of the funding model will be subject to a sunsetting review every 10 years; and
- the Australian National Audit Office (ANAO) will review the funding model – as it has done for APRA's cost recovery model – as appropriate.

The Government judges that these mechanisms will be sufficient to monitor the implementation and effectiveness of the ASIC industry funding model. APRA's cost recovery methodology is subject to the same review mechanisms and, over time, has been adjusted as required to ensure ongoing compliance with the Government's charging and cost recovery frameworks and better reflect the needs of regulated entities.

Appendix 1 – Background to the Australian Securities and Investments Commission

ASIC is Australia's corporate, markets, consumer credit and financial services regulator. It has a regulated population of approximately 2.16 million entities. ASIC is an independent authority that works to ensure that Australia's financial markets are fair and transparent and they are broadly responsible for regulating:

- registered liquidators;
- registered company auditors, audit companies, and large audit firms;
- credit providers and credit intermediaries;
- Australian Market Licence holders and Clearing and Settlement Licence holders;
- Australian Financial Services Licence holders;
- public and proprietary companies (both disclosing and non-disclosing); and
- foreign financial service providers.

Table 6 details the approximate number of entities that ASIC regulates in each of these categories.

Table 6: Approximate number of entities regulated by ASIC

Entity Type	Approximate Number
Public (listed, disclosing) companies	2,000
Public (unlisted) companies	19,838
Large Pty Ltd companies	9,000
Small Pty Ltd companies	2,100,000
Registered liquidators	710
Authorised audit companies and Audit firms that audit publicly listed entities	125
Registered company auditors	4,700
Credit providers	1,271
Small amount credit providers	332
Credit intermediaries	5,100
Deposit product providers	258
Payment product providers	266
Margin Lenders	22
Superannuation trustees	144
Responsible entities	490
Wholesale trustees	1,749
Operators of an Investor Directed Portfolio Service	35
Custodians	861
SMSF auditors	6,500*

Entity Type	Approximate Number
Traditional trustee company service providers	12
Managed Discretionary Account (MDA) operators	192
Large equity market operators	2
Large futures markets operators	1
Small securities markets operators	3
Small futures market operators	1
Small equity market operators with self-listing function only	1
Small derivatives market operators	4
Foreign market operators	6
Trade repository licensees	3
Exempt markets	26
Credit rating agencies	7
Clearing and Settlement (CS) facility licensees	7
Exempt CS facility licensees	1
Market participants	133
Securities dealers	2,840
Corporate Advisers	450
OTC Traders	210
Retail OTC derivative issuers	65
Wholesale electricity dealers	59
Licensees that provide personal advice on Tier 1 products to retail clients	2,150
Licensees that provide personal advice to Tier 2 products only to retail clients	614
Licensees that provide general advice only to retail or wholesale clients	898
Licensees that provide personal advice to wholesale clients only	1,370
Insurance product issuers	85
Insurance product distributors	2,800
Risk management product providers	55
Total number of regulated entities	2,165,268

*SMSF auditors' regulatory costs will continue to be offset by the SMSF levy administered by the ATO, rather than the ASIC industry funding model.

In addition to its regulatory functions, ASIC maintains a number of business registries that are funded by fees and taxes on their users. The fees and taxes collected from registry users exceed the cost to ASIC in maintaining and operating these registries. The Government is not currently considering changing these existing fee arrangements.

ASIC's regulatory functions are largely funded through annual Government appropriations for existing responsibilities and additional specific funding when the Government commissions ASIC to undertake additional work. ASIC's departmental appropriation was equal to $311,480 million in 2015-16 and is forecast to equal $341,588 million in 2016-17. ASIC also recover a small proportion of its costs directly from industry participants (through the FISLs and fees for market supervision).

Appendix 2 – Assumptions underpinning the regulatory cost estimates

The following data and assumptions have been used in costing each of the options described in this RIS. Each of these assumptions, particularly those relating to the final design of ASIC's industry funding model, are subject to change following continued consultation with industry.

Wages

Average weekly ordinary time earnings for people employed in the finance and insurance industry in November 2016 was $1659.40. This equates to $43.70 an hour for a 38 hour week. In line with best practice, we have included a non-wage labour cost rate equal to 75 per cent of the total wage cost. Under this model, the average wage is therefore assumed to be $43.70 and including non-wage labour costs brings the total assumed labour cost for those having to comply with additional regulation to $76.42 per hour. We believe that using this wage figure will introduce a conservative bias into the regulatory costings because the majority of ASIC's regulated population are small businesses that are unlikely to be paying wages at the broader financial and insurance services average. We have not introduced inflation into our costings. All values are presented as real values in 2017-18.

Number of entities affected – remittance of cost recovery amount

We have assumed that the regulatory impost of cost recovery would be nil for those regulated entities that currently remit an annual fee, levy, or undertake a 'fee-for-service' activity in any year and do not provide any additional data to ASIC. This is because any proposed cost recovery levies and fees would replace existing annual levies and fees.

ASIC have estimated that of the approximately 2.16 million entities that they regulate only 65,268 entities will have to pay an additional amount (the levy for small proprietary companies will be included in their existing annual returns).

For these affected entities we have assumed that it will take approximately 30 minutes for an employee to understand and pay the levy amount due. Using the wage assumptions outlined above this implies an additional regulatory cost of $38.20 per affected institution, per annum.

These assumptions are conservative and are likely to inflate the regulatory burden of paying the invoice. This is because while there are 65,268 licensees that will have to pay an additional amount, this likely reflects significantly fewer entities due to a number of entities having more than one licence. In this scenario, we expect that processing the invoice will take less than 30 minutes per invoice.

We have assumed that the introduction of fees for ‘fee-for-service’ activities that recover ASIC’s actual costs will not affect the number of these activities that ASIC undertakes. This is because these fee-for-service activities will continue to be tied to licence applications; document reviews for mergers, acquisitions, and initial public offerings (for example); and exemption applications. Given the importance of these activities to business it is not believed that a change in fee levels under cost recovery, even by a large amount, would result in an impact on the regulatory burden.

Number of entities affected – data collection

To ensure that ASIC’s cost recovery model accurately apportions the costs of the activities it undertakes ASIC will require additional information from regulated entities. ASIC has advised that it will require additional information from the following types of entities each year in order to ensure that its model has the necessary level of specificity:

Table 7: Subsectors that must establish new reporting processes and report new data

Industry subsector	Number of entities
Insurance product issuers	85
Public (listed disclosing) companies	2,000
Corporate Advisers	450
OTC traders	210
Wholesale trustees	1,749
Operators of IDPS	35
Payment product providers	266
Superannuation trustees	144
Deposit product providers	258
Credit providers	1,271
Responsible Entities	490
Small amount credit providers	332
Authorised audit companies and audit firms that audit publicly listed entities	125
Total	**7,415**

This represents approximately 7,415 entities.[9] We have assumed that these entities submitting the additional information will require the development and adoption of additional internal reporting processes and training. We expect that establishing these processes will take 76 hours of work per institution and that this cost will be incurred in the same year as they are required to begin providing this data to ASIC.

This equates to $5,807.20 per institution. This cost is assumed to be reasonably low because the activity metrics adopted by the Government are commonly used business metrics that we anticipate all regulated entities would be monitoring on a regular basis.

In addition to the costs of establishing a compliance system, these entities will have to provide data to ASIC to support the cost recovery model on an annual basis. ASIC is currently proposing that entities be required to provide additional data (that is, the 7,415 entities listed above) each October to ensure the accuracy of the levies regardless of whether the data has been provided at another point in the year. Consequently, we have assumed that each of ASIC's total regulated population will need to spend eight hours, on average[10], providing this data at a cost of $611.28 per institution, in the first year. However, in subsequent years, due to pre-filling of forms based on the prior year activity, we believe that this will decline to three hours, on average at a cost of $229.23 per institution.

It is believed that these figures are a conservative representation of the time required, on average, for entities to comply with new requirements and align with stakeholder feedback received during consultation. Over time we expect that the time required to comply with data reporting obligations will also decline as Treasury and ASIC work to introduce the pre-filling of data, where possible, based on data reported to ASIC for separate purposes.

[9] While there may be some overlaps between certain categories of entity we do not believe that there will be scale advantages for an AFSL holder that has to legally provide ASIC with three sets of information (for example) rather than one. Consequently we have elected to treat each entity as if it is separate for our regulatory costing.

[10] While this figure may be higher for some large and complex firms, the majority of ASIC's regulated population run reasonably simple businesses. For this reason, eight hours is believed to be appropriate.

Appendix 3 – Industry Funding Model – model detail

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Listed public companies	2,000	Market capitalisation	The value of a company that is traded on a domestic licensed market, calculated by multiplying the total number of shares at close of the market by the share price at 30 June.	**New reporting requirement**	$4,000 minimum levy for all public listed entities plus an estimated $0.33 per $10,000 of market capitalisation above $5 million. The maximum levy is estimated to be $664,000 for entities with a market capitalisation greater than $20 billion.
Unlisted public companies	19,838	Flat levy	Flat levy	ASIC's company register	$300 annual levy
Large Pty Ltd companies	9,000	Flat levy	Flat levy	ASIC's company register of companies who lodged a Form 388 in respect of 2016-17	$345 ($350 annual levy less $5 levy charged via the annual review fee)
Small Pty Ltd companies	2.1 million	Flat levy	Flat levy	$5 levy to be added to annual review fee for all pty ltd companies	$5 annual levy
Registered liquidators	710	Number of external administration appointments and notifiable events	Total number of external administration appointments (ongoing and new) accepted by the registered liquidator and notifiable events published by liquidators on ASIC's public notices website.	ASIC register of registered liquidators	$2,500 minimum levy for all registered liquidators plus an estimated $110 per appointment and/or notifiable event

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Authorised audit companies and Audit firms that audit publicly listed entities	125	Audit fee revenue	Total fees paid or payable to the appointed audit firm or authorised audit company that are attributable to the audit and review of the full-year and half-year financial reports for the financial year that ended during the relevant financial year of each entity with equity securities listed and any of the controlled entities of such an entity.	**New reporting requirement**	Entity's Audit Fee Revenue/Total Subsector Audit Fee Revenue x ASIC's Costs for the Subsector
Registered company auditors	4,700	Flat levy	Flat levy	ASIC's Auditor Register	$170 annual levy
Credit providers[11]	1,271	Credit provided	The total amount of credit provided[12] under credit contracts[13] (other than small amount credit contracts) by the credit provider during the relevant financial year.	**New reporting requirement**	$2,000 minimum levy for all credit providers plus an estimated $0.27 per $10,000 of credit provided (other than under a small amount credit contract) greater than $100 million

[11] Includes licensees who intermediate on credit they provide. Costs have been adjusted accordingly.
12 The phrase 'amount of credit' has the meaning given in the National Credit Code.
[13] The phrase 'credit contract' has the meaning given in s5 of the *National Consumer Credit Protection Act 2009*.

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Small amount credit providers	Estimated to be 332	Credit provided under small amount credit contracts	The total amount of credit provided[1] under small amount credit contracts[14] by the credit provider during the relevant financial year.	**New reporting requirement**	Small amount credit providers are liable for the $2,000 minimum levy payable by all credit providers. In addition, a graduated levy is proposed based on the entity's relative share of credit provided under small amount credit contracts during the relevant financial year.
Credit intermediaries	5,100	Authorised representatives	The total amount of credit representatives[15] authorised to engage in specified credit activities on behalf of the licensee.	ASIC's credit licensee database	$1,000 minimum levy for all credit intermediaries plus an estimated $170 per authorised representative
Deposit product providers	258	Total deposits	Total deposits comprise transaction deposit accounts, non-transaction deposit accounts, certificates of deposit and foreign currency deposits, but exclude intra-group deposits[16].	**New reporting requirement**	$2,000 minimum levy payable by all deposit product providers plus $0.02 for each $10,000 of deposit liabilities greater than $10 million
Payment product providers	266	Year 1: Flat levy Year 2: revenue from payment product provider activity	Year 1: Flat levy, Year 2: Total revenue received less expenses incurred by the licensee from non-cash payment facilities the licensee has dealt in.	Year 1: ASIC database Year 2: New reporting requirement	2017-18: $9,000 flat levy 2018–19: graduated levy based on payment product provider revenue with a minimum levy payable by all payment product providers

[14] The phrase 'small amount credit contract' has the meaning given in s5 of the *National Consumer Credit Protection Act 2009*.
[15] The phrase 'credit representative' has the meaning given in s5 of the *National Consumer Credit Protection Act 2009*.
16 Transaction deposit accounts, non-transaction deposit accounts, certificates of deposits, foreign currency deposits and intra-group deposits are defined in section 4 of the Financial Sector (Collection of Data) (reporting standard) determination No. 30 of 2008 - Reporting standard ARS 320.0 Statement of Financial Position (Domestic Books).

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Margin lenders	22	Flat levy	Flat levy	ASIC database	$11,100 annual levy
Superannuation trustees	144	Adjusted funds under management	The total gross assets of an RSE trustee (including acting trustees) reported to APRA, as at 30 June of the relevant financial year adjusted to exclude investments in superannuation funds and registered and unregistered schemes managed by a related trustee or related responsible entity.	**New reporting requirement**	$18,000 minimum levy payable by all superannuation trustees plus an unknown amount per $10,000 of adjusted FUM greater than $250 million
Responsible Entities	490	Adjusted funds under management	The total gross assets of each responsible entity from the entity's financial reports lodged with ASIC under section 319 of the Corporations Act adjusted to exclude investments in superannuation funds and registered and unregistered schemes managed by a related trustee or related responsible entity..	**New reporting requirement**	$7,000 minimum levy payable by all responsible entities plus an unknown amount per $10,000 of FUM greater than $10 million
Wholesale trustees	1,749	Year 1: Flat levy Year 2: Adjusted funds under management	Year 1: Flat levy; Year 2: The market value as at 30 June of the gross assets in managed investment schemes managed by the wholesale trustee adjusted to exclude investments in superannuation funds and registered and unregistered schemes managed by a related trustee or related responsible entity.	**Year 1: ASIC database** **Year 2: New reporting requirement**	Year 1: $8,000 flat levy Year 2: graduated levy based on FUM with a minimum levy payable by all wholesale trustees

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Operators of an Investor Directed Portfolio Service	35	Revenue from IDPS activity	Any revenue, or other amount paid or payable out of IDPS property, for the performance of the obligations imposed on the licensee as an operator of an IDPS, for the relevant financial year.	**New reporting requirement**	Graduated levy based on revenue from IDPS activity with a minimum levy payable by all operators of an IDPS
Custodians	861	Flat levy	Flat levy	ASIC database	$560 annual levy
Traditional trustee company service providers	12	Flat levy	Flat levy	ASIC database	$20,500 annual levy
Managed Discretionary Account (MDA) operators	192	Flat levy	Flat levy	ASIC database	$1,000 annual levy
Large equity market operators	2	Value of transactions	The total value of transactions executed or reported under the operating rules of the financial market operator during the relevant financial year.	ASIC's real time surveillance system	Graduated based on the value of transactions for the operator relative to the total amount for all operators
Large futures markets operators	1	Flat levy	Flat levy	ASIC database	$1.4m annual levy

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Small securities markets operators	3	Flat levy	Flat levy	ASIC database	$200,000 annual levy
Small futures market operator	1	Flat levy	Flat levy	ASIC database	$200,000 annual levy
Small equity market operator with self-listing function only	1	Flat levy	Flat levy	ASIC database	$45,000 annual levy
Small derivatives market operators	4 entities operating 11 markets	Flat levy	Flat levy	ASIC database	$50,000 per market
Foreign market operators	6	Flat levy	Flat levy	ASIC database	$90,000 annual levy
Trade repository licensees	3	Flat levy	Flat levy	ASIC database	$140,000 annual levy
Exempt markets	26 entities operating 28 exempt markets	Flat levy	Flat levy	ASIC database	$45,000 per market

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Credit rating agencies	7	Flat levy	Flat levy	ASIC database	$34,000 annual levy
Clearing and Settlement (CS) facility licensees	7 entities providing 8 facilities	Tiered based on systemic importance and domestic connection	Tiered based on systemic importance	ASIC database	Tier 1: $436,000 per facility Tier 2: $200,000 per facility Tier 3: $80,000 per facility Tier 4: $45,000 per facility
Exempt CS facility licensees	1	Flat levy	Flat levy	ASIC database	$45,000 per facility
Cash equity participants	113 (71 cash equity participants and 42 inactive participants)	Volume of transactions and messages on large cash equity markets	Transactions are the total number of transactions executed on, or reported to, cash equity markets by a participant during the relevant financial year. Messages are the total number of messages by a participant in cash equity markets during the billing period.	ASIC's real time surveillance system	$9,000 fixed levy payable by all cash equity market participants plus $0.022 per transaction plus $0.0022 per message

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Futures market participants	36 (23 futures only participants)	Volume of transactions and messages on large futures markets	Transactions are the total number of transactions executed on, or reported to, the futures markets by a participant during the relevant financial year. Messages are the total number of messages by a participant in the futures markets during the billing period.	ASIC's real time surveillance system	$9,000 fixed levy payable by all futures participants plus $0.075 per transaction plus $0.0047 per message (Note: fixed levy is charged once for participants who trade on both cash equity and futures markets)
Securities dealers	800	Annual transaction turnover value	Total value of a securities dealer's completed transactions in securities (as measured by the buy price plus the sale price of securities) that are reported to the cash equity markets by a participant during the previous billing period.	ASIC's real time surveillance system	$1,000 fixed levy payable by all securities dealers plus $0.33 per $10,000 of annual transactions turnover
Corporate advisers	Estimated to be 450	Revenue from corporate advisory activity	Total revenue generated from corporate advisory activity	**New reporting requirement**	$1,000 fixed levy payable by all corporate advisers plus a graduated levy based on revenue from investment banking activity above $250,000 relative to total corporate advisory industry revenue
OTC derivative traders	Estimated to be 210	FTE engaged in certain activity regarding OTC financial products	Total FTE engaged in OTC derivative trading.	**New reporting requirement**	$1,000 fixed levy payable by all OTC derivative traders plus a graduated levy based on FTE engaged in OTC trading activity.

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Retail OTC derivative issuers	65	Flat levy	Flat levy	ASIC database	Year 1: $61,400 annual levy
Wholesale electricity dealers	59	Flat levy	Flat levy	ASIC database	$1,600 annual levy
Licensees authorised to provide personal and general financial advice on relevant products to retail clients (including limited AFS licensees)	2,150 licensees with 23,000 advisers	Adjusted number of advisers on the Financial Advisers Register	Number of advisers on the Financial Advisers Register (relevant providers), as at 30 June excluding advisers for securities dealers and market participants who only provide advice on limited products[17].	ASIC's Financial Advisers Register	Estimated fixed levy of $1,500 plus at least $820[18] per adviser listed on the financial advisers register

[17] Limited products are quoted products, international equities, margin lending and basic banking products.
[18] ASIC does not capture this data on the Financial Advisers Register, therefore it will need to be reported to ASIC by securities dealers and market participants.

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Licensees authorised to provide personal and general financial advice on 'simple' products to retail clients	614	Flat levy	Flat levy	ASIC database	$1,500 annual levy
Licensees that are authorised to provide general advice only	898	Flat levy	Flat levy	ASIC database	$920 annual levy
Licensees that are authorised to provide personal advice to wholesale clients only	1,370	Flat levy	Flat levy	ASIC database	$170 annual levy

Subsectors	Estimated number of entities	Proposed levy metric	Proposed levy metric description	Proposed data source to calculate levies in the future	Proposed levy description and estimated value (based on data as at end-2016)
Insurance product issuers	134[19]	General insurers: net premium revenue Life insurers: net policy revenue (in relation to Australian business)	General insurance: net premium revenue comprises of total premium revenue less outwards reinsurance expense relating to current and prior years' cover. Life insurance: Net policy revenue comprises policy revenue net of outward reinsurance premiums.	**New reporting requirement**	$20,000 minimum levy payable by all insurance product providers plus an estimated $0.32 for each $10,000 of net premium revenue or net policy revenue above $5 million
Insurance product distributors	2,800[20]	Flat levy	Flat levy	ASIC database	$400 annual levy
Risk management product providers	55	Flat levy	Flat levy	ASIC database	$4,500 annual levy

[19] Total APRA regulated insurers as at July 2016 (assumes each APRA regulated insurance provider uses a different AFSL holder to act as intermediary and no other exemptions from holding an AFSL exist for APRA regulated insurers).
[20] Significant increase compared to the population estimate (464) disclosed in the Proposal Paper.

Glossary

AFSL	Australian Financial Services Licence
AML	Australian Markets Licence
ASIC	Australian Securities and Investments Commission
CSL	Clearing and Settlement Licence
FFS	Foreign Financial Services Providers
FSI	Financial System Inquiry
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions