



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

1 November 2017

Australian Securities and Investments Commission
Level 5
100 Market Street
Sydney NSW 2000

Via email: policy.submissions@asic.gov.au

Dear Sir/Madam

ASIC Supervisory Cost Recovery Levies – Cost Recovery Implementation Statement (CRIS)

Thank you for the opportunity to comment on the draft CRIS.

While the information provided in the CRIS is useful and contains relevant detail at a high level for each sub-sector, the information it contains does not mitigate the concerns in relation to the potential impact of the ASIC Supervisory Cost Recovery Model (the model) on certain sectors of the professional and business communities in Australia which we have expressed in our submissions and feedback throughout the consultation process on the levy. Our comments are largely focused on these concerns and are set out below.

Lack of a true ‘user pays’ system

The figures set out in the CRIS enforce our belief that the model does not represent a true ‘user pays’ system. In almost every area of ASIC’s operations, enforcement actions form the largest costs. The majority of enforcement costs should be borne by the entities and individuals who are the subject of the actions, not by the sector as a whole.

Cumulative effect of levy proposals

The cumulative effect of levies for practitioners and advisors who seek to provide a range of services to their communities continues to be a concern. If an entity is providing accounting, auditing, insolvency and financial planning services to their community, the cumulative effect of levies could be substantial.

The cumulative effect of the levies is also an issue for smaller firms and sole practitioners, wherever located. Insolvency practitioner firms will be particularly impacted and the result could be a serious reduction in the number of practitioners or firms able to manage the spectrum of insolvency situations. Outside of insolvency, the combination of levies and uncertainty over

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amounts due (discussed below) may impact the desire or ability of small firms or sole practitioners to continue working in the regulated areas. This may particularly impact the ability of businesses and communities in regional and remote areas to access qualified, experienced advisors. This would be an anti-competitive outcome and not in the public interest.

Burden on individuals holding particular registrations and licences

As well as the potential cumulative impact on practitioners, we remain concerned about the level of individual levies on holders of certain registrations and licences. The burden on holders of Australian Financial Services Licences (AFS Licensees), registered liquidators and registered company auditors has potential negative consequences. These individuals are key participants in the operation of the financial markets and it is not in the public interest for their populations to be reduced. We note that for both registered company auditors and registered liquidators there are changes in the figures quoted in the allocation set out in the draft regulations and those in the CRIS.

	No. of Registered Company Auditors	Costs to be recovered	No. of Registered Liquidators	Costs to be recovered
Consultations	4825	\$6m	711	\$9m
Draft CRIS	4481	\$6m	710	\$10.2m

The decrease in the population of auditors between the previous estimate and the number in the CRIS represents an increase in the levy amount which will need to be borne by individual RCAs. As the impost of a levy may drive more RCAs out of the market, this burden is likely to increase. As expressed above, measures which negatively impact the ability of the audit profession to maintain sufficient supply of auditors are not in the public interest.

There is no explanation for the approximately \$1.2 million increase in the costs expected to be recovered by registered liquidators. Registered liquidators are bearing the highest individual costs from the introduction of the model. This will potentially drive practitioners out of the industry. Registered liquidators are important participants in the financial system. Again, a decrease in the number of insolvency practitioners is not in the public interest.

We remain concerned that the burden to holders of Australian Financial Services Licences (AFS Licensees) is substantial due to the nature of the industry and the fact that entities may hold operate in multiple sub-sectors. AFS Licensees may be forced to relinquish licenses, which could result in the community receiving advice from unlicensed advisors, seek commissions from product providers, or pass on the compliance costs.

Inability to prepare and budget for the proposed costs

While the CRIS provides some ability for entities to begin to estimate their likely levy, entities and individual are still unable to determine this figure in most cases. This is also a serious concern for business. Entities will not be able to plan and provide for the cost of the levies under

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these proposals. As expressed in our previous submissions, we are concerned that this uncertainty, together with the potential for considerable cost, will result in some practitioners closing their regulated business. We strongly encourage ASIC to provide a method of estimation for individuals and entities as soon as possible.

Companies limited by guarantee who are regulated by the Australian Charities and Not-for-Profits Commission

We are unable to determine from the CRIS whether the population of unlisted public companies includes those companies limited by guarantee who are regulated by the ACNC. While we appreciate that ASIC would still incur some costs in relation to these entities, the majority of their regulatory costs are incurred by the ACNC. We believe these should be excluded from the imposition of a levy by ASIC as they are not the primary regulator.

Verification of the information provided by ASIC

The CRIS does not address how the information it, or the annual dashboard report discussed, will contain will be verified. It would be useful to users to know that the figures published each year are subject to some form of assurance. We also note that the annual dashboard report will need to contain a more granular break down of ASIC's costs of regulation for each sub-sector to allow users to properly understand what costs they are being asked to bear.

Please contact me at liz.stamford@charteredaccountantsanz.com for further expansion or clarification of the points made in this submission.

Yours faithfully

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Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.

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