Cost Recovery Implementation Statement: ASIC industry funding model (2018–19)

June 2019

About this CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how we will implement the industry funding model and recover:

- the costs of our regulatory activities from each industry subsector (in Part 1); and
- our user-initiated and transaction-based regulatory costs via fees for service (in Part 2).

This version of the CRIS takes into account stakeholder feedback on the version we published for comment in March 2019.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This CRIS does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

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Introduction to the CRIS

Purpose of the CRIS

1 We are required to publish a Cost Recovery Implementation Statement (CRIS) each year under the Australian Government Charging Framework, specifically the Australian Government Cost Recovery Guidelines (PDF 1.9 MB) (cost recovery guidelines).

2 The cost recovery guidelines set out the framework under which the Australian Government and ASIC design, implement and review regulatory charging activities. Under the guidelines there are two types of cost recovery charges. The characteristics of the activity determine whether the costs will be recovered through:

(a) *cost recovery levies*—charges imposed when a good, service or regulation is provided to a group of individuals or organisations (e.g. an industry subsector), rather than to a specific individual or organisation; or

(b) *cost recovery fees*—fees charged when a good, service or regulation is provided directly to a specific individual or organisation (see the cost recovery guidelines, p. 2).

3 This CRIS is divided into three parts:

(a) Part 1 of this CRIS provides information about how the costs of our regulatory activities in 2018–19 will be recovered from each industry sector via cost recovery levies under the industry funding model. We will issue invoices for the 2018–19 financial year in January 2020, after the business activity has occurred and our regulatory costs are known.

(b) Part 2 of this CRIS provides information about how we will recover our user-initiated and transaction-based regulatory costs via cost recovery fees in 2018–19. It includes information about fees for service and the methodology for calculating the fees.

(c) Part 3 of this CRIS covers the stakeholder engagement undertaken, how we measure our financial and non-financial performance, key events and estimated dates, and the CRIS approval and change register.

4 This CRIS takes into account stakeholder feedback we received on the version we published for comment in March 2019. For a discussion of the main issues raised by respondents and our responses to them, see Section P.

Background to the industry funding model

5 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. The Australian Government has undertaken extensive consultation to develop and refine the industry funding model: for more information on this consultation, see paragraphs 65–66.

6 Under the industry funding model our regulatory costs will be recovered from all industry sectors we regulate, through a combination of:

(a) general industry levies (cost recovery levies), for ongoing regulatory activities that are consistent with the Australian Government Charging Framework. These activities relate to supervision and surveillance, enforcement, industry engagement, education, guidance, and policy advice (see Part 1 of the CRIS);

(b) statutory industry levies for activities the Australian Government has decided should be cross-subsidised between industry subsectors (see paragraphs 19–23 and Table 2 and Table 3); and

Note: In this CRIS we refer to cost recovery levies and statutory industry levies collectively as ‘industry funding levies’.

(c) cost recovery fees (fees for service), for user-initiated, transaction-based activities where we provide a specific service to individual entities. These activities include licensing, professional registration, applications for relief and review of corporate finance transaction documents (see Part 2 of the CRIS).

7 Table 1 provides an overview of how we will recover our 2018–19 regulatory costs for each of our regulatory activities that are subject to industry funding.

Note: In this CRIS, we round figures to one decimal place in the text and three decimal places in tables. Items may not add up to totals due to rounding.

Table 1: Method of cost recovery by regulatory activity

Activity	Cost recovery levies	Statutory industry levies	Fees for service
Supervision and surveillance	$39.216m	$6.533m	Nil
Enforcement	$54.460m	$15.744m	Nil
Industry engagement	$5.499m	$0.799m	Nil
Education	$1.095m	$0.203m	Nil
Guidance	$2.841m	$0.498m	Nil
Policy advice	$2.421m	$0.411m	Nil

Activity	Cost recovery levies	Statutory industry levies	Fees for service
Financial capability work	$6.490m	$1.381m	Nil
Governance, central strategy and legal	$16.724m	3.607m	Nil
IT support	$21.819m	$4.697m	Nil
Operations support	$10.794m	$2.323m	Nil
Property and corporate services	$29.082m	$6.285m	Nil
Licence applications or variations	Nil	Nil	$1.641m
Registration application services	Nil	Nil	$7.054m
Compliance review of documents	Nil	Nil	$5.873m
Requests for changes to market operating rules	Nil	Nil	$5.972m
Assessment of applications for relief	Nil	Nil	$0.066m
Total	**$190.442m**	**$42.481m**	**$20.607m**

Note 1: The total cost recovery levies and statutory industry levies excludes $40.1 million of 2018–19 regulatory costs. The $40.1 million is made up of adjustments to our regulatory costs (see paragraph 79) and adjustments for unrecovered 2017–18 costs (see paragraph 16). We cannot classify these adjustments by regulatory activity.

Note 2: For more information about what constitutes a cost recovery levy and a statutory levy, see paragraphs 19–23.

Changes to the industry funding model

8 There have been several amendments to the industry funding model since we released the *Cost Recovery Implementation Statement: Levies for ASIC industry funding (2017–18)* (industry levies CRIS) in May 2018 and the *Cost Recovery Implementation Statement: Fees for service under the ASIC industry funding model (2018–19)* (fees-for-service CRIS) in June 2018.

9 We set out the key changes made to the cost recovery levies since the industry levies CRIS at paragraphs 38–60, and to fees for service since the fees-for-service CRIS at paragraphs 342–351.

About ASIC

10 ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

11 Our vision is for a fair, strong and efficient financial system for all Australians. To realise our vision, we will use all our regulatory tools to:

(a) change behaviours to drive good consumer and investor outcomes;

(b) act against misconduct to maintain trust and integrity in the financial system;

(c) promote the strong and innovative development of the financial system; and

(d) help Australians to be in control of their financial lives.

12 The ASIC Act requires ASIC to:

(a) maintain, facilitate and improve the performance of the financial system, and entities within it, in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy;

(b) promote confident and informed participation by investors and consumers in the financial system;

(c) administer the law effectively and with minimal procedural requirements;

(d) enforce and give effect to the law;

(e) efficiently and quickly receive, process and store information that is given to ASIC;

(f) make information about companies and other bodies available to the public as soon as practicable; and

(g) take whatever action we can, and which is necessary, to enforce and give effect to the law.

13 Our *Corporate Plan 2018–22: Focus 2018–19* explains our updated vision and mission, and how we use our strategic planning framework to achieve them. Our enhanced strategic planning framework introduces a new ‘threat, harm and behaviour’ framework to better identify, describe and prioritise actual and potential harms that need to be addressed. This framework supports how we plan our regulatory action and allocate our regulatory costs.

PART 1 Industry funding levies

14 Part 1 of this CRIS provides information on how we will recover the costs of our regulatory activities using industry funding levies.

15 Part 1 sets out:

(a) an introduction to the part (see Section A);

(b) the policy and statutory authority for industry funding levies (see Section B);

(c) the cost recovery model (see Section C);

(d) our budgeted costs and the work we will do over the next financial year in regulating each subsector in:

  (i) the corporate sector (see Section D);

  (ii) the deposit taking and credit sector (see Section E);

  (iii) the investment management, superannuation and related services sector (see Section F);

  (iv) the market infrastructure and intermediaries sector (see Section G);

  (v) the financial advice sector (see Section H);

  (vi) the insurance sector (see Section I); and

  (vii) the large financial institutions sector (see Section J); and

(e) the risk assessment we have undertaken (see Section K).

A Introduction to Part 1

Key points

Part 1 of this CRIS provides information on how we will recover the costs of our regulatory activities from each industry subsector under the industry funding model.

It includes our forecast of the work we will undertake for each subsector for 2018–19 and what it will cost to carry out that work (regulatory costs). We estimate we will recover $273 million of our 2018–19 regulatory costs via industry funding levies.

It also includes an explanation of the design of the levy for each subsector.

The regulatory activities we engage in that form part of the industry funding model are supervision and surveillance, enforcement, industry engagement, education, guidance, policy advice, and financial capability work.

This section covers the costs we will recover, describes our regulatory activities and outlines changes to the industry funding levies since we published the industry levies CRIS.

ASIC costs to be recovered

16 ASIC's regulatory costs will continue to be funded through appropriation from the Commonwealth budget. In 2018–19, $273 million of ASIC's total budgeted resources of $406.4 million will be recovered via ASIC's cost recovery levies and statutory industry levies: see Table 2. We will also recover $671,650 in unrecovered regulatory costs from 2017–18.

Note: The $671,650 in unrecovered regulatory costs from 2017–18 is made up of $420,504 that was not recovered from deregistered companies and $251,146 that was not recovered from small futures exchange operators: see Table 33. This amount is carried forward in accordance with s10(6)(b) of the *ASIC Supervisory Cost Recovery Levy Act 2017*.

17 There are a number of mechanisms that we use to recover our costs from industry. They include cost recovery levies, statutory industry levies, cost recovery fees and general taxes. Our costs for regulating small proprietary companies are recovered via an increase in the annual return fee.

18 Part 1 of this CRIS covers our regulatory costs of $273 million that we will recover via cost recovery levies and statutory industry levies. We will recover user-initiated service costs and transaction-based activities—where

we provide a specific service to individual entities (e.g. licence applications)—via cost recovery fees-for-service: see Part 2 of this CRIS.

19 We will recover the cost of activities that:

(a) are consistent with the Australian Government Charging Framework through a cost recovery levy; and

(b) the Australian Government has decided should be cross-subsidised between industry subsectors through a statutory industry levy.

Note: Statutory industry levies make up $50.2 million of the total $273 million in regulatory costs that we are recovering.

20 Table 2 depicts the regulatory costs to be recovered by industry funding levies for each sector.

Table 2: Regulatory costs to be recovered by industry funding levies, by industry sector

Sector	Cost recovery levies	Statutory industry levies	Total levy
Corporate	$63.591m	$19.231m	$82.822m
Deposit taking and credit	$29.654m	$5.447m	$35.101m
Investment management, superannuation and related services	$43.621m	$15.503m	$59.124m
Market infrastructure and intermediaries	$45.609m	$3.550m	$49.159m
Financial advice	$24.226m	$3.728m	$27.954m
Insurance	$12.607m	$2.698m	$15.305m
Large financial institutions	$3.565m	Nil	$3.565m
Total costs to be recovered	**$222.873m**	**$50.157m**	**$273.030m**

21 The activities that will be recovered via a statutory industry levy are:

(a) the ASIC Enforcement Special Account (ESA);

(b) financial capability;

(c) administration of unclaimed money;

(d) operation of the North Queensland insurance aggregator website; and

(e) the regulation of crowd-sourced funding intermediaries.

22 The regulatory costs to be recovered under a statutory industry levy for each of these activities are set out in Table 3.

Table 3: Regulatory costs to be recovered by statutory industry levies, by activity

Activity	Costs
ESA	$36.217m
Financial capability	$11.732m
Unclaimed money	$0.876m
North Queensland insurance aggregator	$0.554m
Crowd-sourced funding (CSF) intermediaries	$0.778m
Total costs to be recovered by statutory industry levies	**$50.157m**

23 Statutory industry levies will be included in the same invoices as other cost recovery levies.

24 Our forecasts of our regulatory costs for each subsector in Part 1 of this CRIS are calculated by apportioning the total amount of $273 million between each subsector, based on the amount of effort we project we will spend regulating each subsector. The costs in Part 1 are only a guide for the levies to be charged for 2018–19. The final levies will be based on our actual cost of regulating each subsector in 2018–19. This ensures that each subsector is only levied for the actual cost of regulating that subsector.

Exemptions

Costs recovered by APRA

25 We will not recover the costs associated with achieving improved outcomes in financial services (described in *Budget 2016–17: Budget measures—Budget paper no. 2* at p. 148) until 1 July 2019. These costs will be recovered by the Australian Prudential Regulation Authority (APRA) through the Financial Institutions Supervisory Levies until 30 June 2019.

26 APRA will continue to recover the costs of the Superannuation Complaints Tribunal (SCT) through the Financial Institutions Supervisory Levies until the SCT ceases to operate on 30 June 2020.

Registered charities and not-for-profits

27 The Australian Government has decided that entities that are registered under the *Australian Charities and Not-for-profits Commission Act 2012* will be exempt and will not have to pay cost recovery levies because of the unique and important role charities play in society. We will not recover the portion of our costs relating to these entities through industry funding levies,

and therefore the exemption will not affect the amount to be paid by other entities in the relevant subsectors.

Note: See the Hon. Kelly O'Dwyer, then Minister for Revenue and Financial Services, *Registered charities not required to pay ASIC levy*, media release, 2 July 2018.

Other

28 The ASIC Supervisory Cost Recovery Levy Regulations 2017 (Cost Recovery Levy Regulations) prescribe that certain amounts are not part of ASIC's regulatory costs and therefore will not be recovered under the industry funding regime, including the costs of:

(a) operating the SCT;

(b) operating the Company Auditors Disciplinary Board (CADB);

(c) operating the committees convened on an ad-hoc basis to consider disciplinary matters relating to insolvency practitioners (insolvency practitioners disciplinary committees);

(d) maintaining and operating ASIC's public registers;

(e) regulating self-managed superannuation fund (SMSF) auditors; and

(f) preliminary investigations and reports by liquidators into the failure of a company with few or no assets.

Description of our regulatory activities

29 In everything we do we are guided by our vision of a fair, strong and efficient financial system for all Australians. To achieve our vision, we undertake a range of regulatory activities to:

(a) change behaviours to drive good consumer and investor outcomes;

(b) act against misconduct to maintain trust and integrity in the financial system;

(c) promote strong and innovative development of the financial system; and

(d) help Australians be in control of their financial lives.

30 Our regulatory activities can be broadly categorised as:

(a) supervision and surveillance;

(b) enforcement;

(c) industry engagement;

(d) education;

(e) guidance;

(f) policy advice; and

(g) financial capability work.

31 These activities together form our regulatory toolkit. We use this toolkit across the multiple industry sectors we regulate to identify and respond to threats and harms, and achieve our vision for a fair, strong and efficient financial system for all Australians. For most of the issues in our remit, we will use a combination of these tools to achieve the solution.

32 A key part of our work over the next year will be implementing new supervisory approaches and improving enforcement outcomes. This work follows additional funding announced by the Australian Government to progress our strategic priorities.

Note: See the Hon. Kelly O'Dwyer, then Minister for Revenue and Financial Services, and the Hon. Scott Morrison MP, then Treasurer, *Turnbull Government expands ASIC's armoury*, joint media release, 7 August 2018.

33 This new funding will improve our enforcement capabilities and enable us to undertake new regulatory activities to achieve our vision, including:

(a) close and continuous monitoring, where senior ASIC staff are placed in major financial institutions to closely monitor their governance and compliance with the law;

(b) strengthening supervision of the superannuation sector by enhancing our audit and enforcement action; and

(c) a corporate governance taskforce set up to undertake targeted reviews of corporate governance practices in large listed entities.

34 In 2018–19 we will help and support the important work of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) and respond to its recommendations. We will begin to deliver on our new 'Why not litigate?' enforcement stance and complete (and implement the recommendations of) our internal enforcement review. The review will focus on our enforcement policies, processes and decision-making procedures, particularly those relevant to:

(a) whether or not to enforce the law using criminal and civil proceedings or other regulatory options; and

(b) the effectiveness and timeliness of the conduct of litigation and of enforcement outcomes.

35 Table 4 provides an overview of our regulatory activities and sub-activities that are subject to industry funding. We carry out these activities for all industry sectors. We track our regulatory effort for each subsector at the activity level.

Table 4: Our regulatory activities and sub-activities that are subject to industry funding

Activity	Activity description	Sub-activity overview
Supervision and surveillance	We conduct supervision and surveillance to test compliance with the laws we administer and promote positive consumer and investor outcomes. We may gather and analyse information on: • a specific entity or range of entities; • a transaction; or • a specific product or issue of concern in the market.	Our sub-activities include: • making an initial regulatory assessment, as part of which we: – accept breach reports or reports of misconduct, including receiving whistleblower disclosures about misconduct; – undertake initial inquiries and preliminary analysis, including conducting on-site supervision and surveillance (e.g. our corporate governance review of issues and trends arising during the annual general meeting season); – assess the nature and gravity of the suspected breach or misconduct; – undertake initial testing of ASIC's jurisdiction; and – decide whether further action is required and, if so, prepare handover of referral materials; • review, as part of which we: – identify the risks of making a detailed inquiry for a single or thematic surveillance; – undertake stakeholder interviews and collect documentary information; – use ASIC's compulsory information gathering powers (e.g. under s912C of the *Corporations Act 2001* (Corporations Act)); – analyse and assess the information gathered; and – develop and publish supervision and surveillance reports; • undertaking regulatory supervision, surveillance and monitoring, as part of which we: – place dedicated people within large financial institutions to monitor governance and surveillance; – accept referrals for suspected, alleged or admitted breaches and misconduct; – gather and analyse information and initial evidence, which may lead to an investigation and/or litigation; and – use ASIC's compulsory information gathering powers (e.g. under s912C); • publish reports in response to findings of our supervision and surveillance.

Activity	Activity description	Sub-activity overview
Enforcement	Enforcement action is one of the key regulatory tools available to us to help achieve a fair, strong and efficient financial system for all Australians. An activity is classified as enforcement when we consider that there has been a breach of the law. Our investigations may lead to enforcement action, including punitive, protective preservative, corrective or compensatory action. We also resolve matters by engaging with the relevant party, issuing infringement notices or taking administrative action (such as banning).	Our sub-activities include: • undertaking investigations, as part of which we: – accept referrals of alleged or admitted breaches and misconduct; – assess preliminary and detailed case theories; – using ASIC’s formal investigatory powers (e.g. issuing notices requiring a person to assist ASIC with an investigation or appear before ASIC for examination); – obtain information and seize property; – collaborate and exchange information with other regulatory partners; and – convert information gathered into admissible evidence; • administrative decision making, as part of which we prepare briefs for ASIC hearing delegates for administrative actions (e.g. banning decisions and imposing stop orders on disclosure documents); • undertaking litigation, as part of which we: – consider evidence and relevant legal authorities; – develop, obtain and assess legal expert opinions; – decide on the merit of the case and determine which legal remedies will be sought; – for criminal matters, prepare briefs for the Commonwealth Director of Public Prosecutions and support ongoing case development; – for civil matters, draft and settle pleadings; and – attend court; and • handle appeals, as part of which we: – draft or receive an appeal notice; – consider evidence and relevant legal authorities; – develop, obtain and assess legal expert opinions; – prepare appeal briefs and supervise process service; and – attend court.

Activity	Activity description	Sub-activity overview
Industry engagement	Engaging with industry helps us achieve our vision. We engage with industry and manage our relationships with them through liaison meetings, presentations and other interactions. The purpose of our engagement activity is to set and maintain regulatory standards, better inform industry practices, identify harms and potential harms in the market, address industry inquiries, and ensure our messages are communicated to industry.	Our sub-activities include: • consulting with industry to better understand market issues, including hosting external advisory committees; • attending industry liaison meetings and giving presentations; and • responding to industry inquiries and requests for information.
Education	We undertake a range of educational activities to empower Australian investors and consumers to be in control of their financial lives. This includes developing tools and resources for our regulated population and consumers, and our contributions to industry publications.	Our sub-activities include: • facilitating the teaching and learning of financial literacy in schools, in institutions that provide further education and in workplaces; • contributing to industry publications and material on ASIC's MoneySmart website; • developing tools and resources (e.g. online calculators) for consumers; and • giving speeches and presentations to industry and consumers, including community of practice sessions, to provide a platform for addressing vulnerable and financially disadvantaged audiences like regional and remote communities.
Guidance	We provide guidance to industry, on how we will administer the law, through regulatory guides, consultation papers and information sheets. Guidance is an important tool we use to respond to structural changes and complexity in the financial services industry.	Our sub-activities include: • developing and consulting on regulatory proposals; • providing guidance on regulatory topics to enhance industry's understanding of their legal obligations and how we administer the law; • drafting, consulting and issuing ASIC legislative instruments, and • deciding on novel application for exemptions from or modifications of the law.

Activity	Activity description	Sub-activity overview
Policy advice	We provide advice to the Australian Government on the operational implications of Government policy initiatives and legislative change. We identify the opportunities and risks that inform our preferred position and influence law reform matters to help realise our vision for a fair, strong and efficient financial system for all Australians.	Our sub-activities include: • researching innovation, competition and emerging harms, and then identifying and analysing potential policy responses; • providing proposals for law reform and assisting in its development; • identifying and planning for the impact on external stakeholders and internal capabilities; and • providing submissions to parliamentary and Government inquiries on law reform issues.
Financial capability work	We lead and coordinate the National Financial Literacy Strategy (NFLS) to: • educate the next generation, particularly through the formal education system; • increase the use of free and impartial information, tools and resources; • provide quality, targeted guidance and support; • strengthen coordination and effective partnerships between ASIC and other organisations; and • improve financial wellbeing research, measurement and evaluation.	Our financial capability work is informed by research, education and behavioural insights to help us understand how investors and consumers make decisions in practice. Our sub-activities include: • promoting and supporting financial literacy through the formal education sector, including supporting teacher capability; • delivering and promoting access to trusted and impartial financial information, tools and guidance for consumers and investors (especially vulnerable consumers); • reviewing and updating the NFLS; • supporting and growing key partnerships with other organisations to enhance collaboration and increase the reach and impact of financial capability initiatives; • contributing to research and measurement supporting the financial wellbeing of Australians; and • ensuring ASIC is globally engaged and effectively participates in shaping and influencing the international financial capability agenda.

36 The entities that will be liable to pay levies are those that are subject to the regulatory activities outlined in Table 4. The total levy a regulated entity must pay is equal to the sum of the levy amounts applicable to the entity for each industry subsector the entity falls under for a financial year.

Description of industry sectors

37 The industry sectors and subsectors are set out in the Cost Recovery Levy Regulations and described in Table 5.

Table 5: Summaries of industry sectors

Sector	Subsectors	Further discussion
Corporate **(includes auditors and liquidators, which are subject to separate fees and levies)**	Corporations, including: • listed corporations; • unlisted public companies; • large proprietary companies; and • small proprietary companies (to be charged through an increase to the annual review fee for proprietary companies in the Corporations (Review Fees) Regulations 2003). Auditors of disclosing entities Registered company auditors Registered liquidators	Section D
Deposit taking and credit	Credit licensees, including: • credit providers; • small and medium amount credit providers; and • credit intermediaries. Deposit product providers Payment product providers Margin lenders	Section E
Investment management, superannuation and related services	Superannuation trustees Responsible entities Wholesale trustees Custodians Investor-directed portfolio services (IDPS) operators Notified foreign passport funds and regulated former notified funds operators Managed discretionary account (MDA) providers Traditional trustee company service providers	Section F

Sector	Subsectors	Further discussion
Market infrastructure and intermediaries	Market infrastructure providers, including: • Australian market licensees, including various types of market operator; • clearing and settlement (CS) facility operators; • Australian derivative trade repository operators; • exempt market operators; • credit rating agencies; and • benchmark administrator licensees Market intermediaries, including: • market participants; • securities dealers; • corporate advisers and over-the-counter (OTC) traders; • retail OTC derivatives issuers; and • wholesale electricity dealers	Section G
Financial advice	Australian financial services (AFS) licensees that provide: • personal advice to retail clients on relevant financial products; • personal advice to retail clients on products that are not relevant financial products; Note: 'Relevant financial products' are financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of these products (see s922C). • general advice only; and • personal advice to wholesale clients only.	Section H
Insurance **(includes life and general insurance)**	Insurance product providers (including friendly societies) Insurance product distributors Risk management product providers	Section I
Large financial institutions	Entities subject to close and continuous monitoring	Section J

Changes to the industry funding levies

38 Since the release of the industry levies CRIS in May 2018, the Cost Recovery Levy Regulations have been amended by:

(a) the ASIC Supervisory Cost Recovery Levy Amendment (Enhancements) Regulations 2018;

(b) the Corporations Amendment (Asia Region Funds Passport) Regulations 2018; and

(c) the Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019.

39 We set out the key changes made to the cost recovery arrangements (compared to the arrangements in the industry levies CRIS) in paragraphs 40–60, by industry sector and subsector. If a subsector is not listed here, there was no change from the model set out in the industry levies CRIS.

Exempt entities

Registered charities and not-for-profits

40 Entities that are registered under the *Australian Charities and Not-for-profits Commission Act 2012* are exempt and will not have to pay a cost recovery levy: see paragraph 27.

Corporate sector

Listed corporations

41 The entity metric for the listed corporations subsector has been amended to clarify that exempt foreign entities under the ASX listing rules will only be required to pay a levy in relation to their securities held in Australia.

Deposit taking and credit sector

Small and medium amount credit providers

42 On 1 July 2018, the small amount credit providers subsector was amended so that it also includes ‘medium amount credit providers’, as defined in the *National Consumer Credit Protection Act 2009* (National Credit Act). Including medium amount credit providers in the small amount credit providers subsector better reflects our regulatory effort, due to the size of the loans and the similarity of the risks posed to consumers by this market.

Investment management, superannuation and related services sector

Responsible entities and wholesale trustees

43 The entity metric for the responsible entities and wholesale trustees subsectors have been amended to avoid double counting of assets for the purposes of calculating the levy payable by entities that fall within both subsectors.

44 If a responsible entity is also a wholesale trustee, any assets that are an interest in unregistered managed investment schemes issued by the entity are excluded from the metric. Similarly, if a wholesale trustee is also a

responsible entity, any assets that are an interest in registered schemes operated by the entity are excluded from the metric.

45 If a wholesale trustee also forms part of the operators of notified foreign passport funds and regulated former passport funds subsector in the financial year, any assets that are an interest in a notified foreign passport fund or a regulated former passport fund issued by the entity are also disregarded for the purposes of calculating the levy payable. This avoids double counting of those assets.

Superannuation trustees

46 A recent amendment to the accounting standards requires the inclusion of employer-sponsored receivables in calculating the amount of assets in a registerable superannuation entity. The amount of employer-sponsored receivables does not affect our costs in regulating the relevant superannuation trustee, but would affect the amount of levy paid by the superannuation trustee. The entity metric for superannuation trustees has been amended so that employer-sponsored receivables are excluded from total assets for the purposes of calculating the levy.

Operators of notified foreign passport funds and regulated former notified funds

47 The Corporations Amendment (Asia Region Funds Passport) Regulations 2018 introduced a new subsector for operators of notified foreign passport funds and operators of regulated former notified funds. The levy consists of a minimum levy component ($1,000) and a graduated levy component. For more details, see paragraphs 163–164.

Market infrastructure and intermediaries sector

Small derivatives market operators

48 The small derivatives market operators subsector was repealed on 1 July 2018. The subsector has been replaced with two new subsectors that differentiate between operators of new specialised markets and operators of established specialised markets. An entity will fall within the ‘new specialised market operators’ subsector if it is operating a specialised market that has never been previously operated in Australia or overseas and the entity has never previously held an Australian market licence.

49 After operating the market for two years, an entity will cease to fall within the ‘new specialised market operators’ subsector and will fall within the ‘established specialised market operators’ subsector.

50 The new subsectors will enable ASIC to recover the cost of our regulatory activities for new and established specialised markets. The costs associated

with regulating new markets will be materially different to those of more established markets and therefore the new subsectors better reflect our regulatory effort. For more details, see paragraphs 205–208.

Participant in a clearing and settlement facility

51 The subsector definitions for OTC derivatives issuers, wholesale electricity dealers and securities dealers previously provided that an entity will not be part of the subsectors if the entity was a participant in a CS facility at any time during the year. The definition of these subsectors has been amended to remove this exclusion. Determining whether an entity was a CS facility participant at any time during the year would require additional data collection and impose an unreasonable compliance burden.

Benchmark administrator licensees

52 Part 7.5B of the Corporations Act (as amended by the *Treasury Laws Amendment (2017 Measures No. 5) Act 2018*) introduced a new licensing regime for financial benchmark administrators. In response to these amendments, a new subsector has been introduced for benchmark administrator licensees from the 2018–19 financial year onwards. Entities that hold a licence to administer a financial benchmark (benchmark administrator licence) during 2018–19 and future financial years will have to pay a levy calculated in accordance with the flat levy formula. For more details, see paragraphs 231–232.

Credit rating agencies

53 The levy component for credit rating agencies has been amended so that a graduated levy will apply instead of a flat levy. All entities that fall within the subsector will pay a minimum levy of $2,000, plus a variable component based on the number of days the entity had the necessary licence authorisation and for which there was a supervisory college for the entity: see paragraphs 229–230.

Securities dealers

54 The Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 amended the securities dealers subsector to clarify that participants in a large futures exchange and a large securities exchange are excluded from the subsector. If large futures exchange participants and large securities exchange participants were not excluded from the securities dealers subsector they would be required to pay a levy under two separate subsectors for the same activity.

Large futures exchange participants

55 The entity metric for the large futures exchange participants subsector was amended on 1 July 2018 to simplify the calculation of the graduated component of the levy for the subsector. The graduated component will be based on each entity's share of the total number of messages sent and lots entered or reported to a large futures exchange recognised by our market supervision and surveillance system. Where there are multiple reports relating to the same message or lot that contains the same information, each message or lot will only be counted once for the purposes of calculating the levy.

56 The split between information technology (IT) costs and non-IT has been removed. Instead, 90% of our costs relating to the subsector will be recovered based on the number of recognised lots reported to a large futures exchange and the remaining 10% will be recovered based on the number of recognised messages reported to a large futures exchange.

Large securities exchange participants

57 The calculation of the graduated levy component for the subsector was simplified on 1 July 2018 by removing the split between IT costs and non-IT costs. Instead, 90% of our costs relating to the subsector will be recovered based on the number of recognised transactions reported to a large securities exchange and the remaining 10% of our costs relating to the subsector will be recovered based on the number of recognised messages reported to a large securities exchange. Where there are multiple reports containing the same information relating to the same message or transaction, each message or transaction will only be counted once for the purposes of calculating the amount of levy payable.

OTC traders

58 The definition of 'OTC traders' has been amended to remove the exclusion for an entity that is part of the responsible entities, superannuation trustees, or wholesale trustees subsectors. The purpose of the exclusion was to exempt entities in those subsectors from having to also pay the OTC traders subsector levy where they only deal in OTC products under their activities related to those subsectors. However, many OTC traders have a broad range of licence authorisations, and therefore the exclusion may have the effect of excluding OTC traders from the subsector merely because they have a licence authorisation that would make them part of the responsible entities, superannuation trustees or wholesale trustees subsectors.

59 The exclusion has been amended so that an entity will only qualify for the exemption if—while the entity is part of the responsible entities, superannuation trustees or wholesale trustees subsectors—the entity deals or

holds out that it deals in OTC financial products only as part of its activities relevant to those subsectors.

Large financial institutions

Entities subject to close and continuous monitoring

60 The Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 introduced a new subsector for close and continuous monitoring of certain large financial institutions. For more details, see Section J.

B Policy and statutory authority for industry funding levies

Key points

Our regulatory costs will be recovered from all the industry sectors we regulate through a combination of industry funding levies and fees for service.

The legislative framework for levies is established by five pieces of legislation:

- the *ASIC Supervisory Cost Recovery Levy Act 2017* (Cost Recovery Levy Act);
- the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*;
- the *ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017*;
- the Cost Recovery Levy Regulations; and
- the Corporations (Review Fees) Regulations 2003.

The amounts payable each year are set through a combination of regulations and legislative instruments.

Government policy approval

61 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. This was in response to the recommendation of the Financial System Inquiry (FSI) that the Government recover the cost of ASIC's regulatory activities directly from industry participants through fees and levies calibrated to reflect the cost of regulating the different industry sectors that we regulate.

Note: See FSI, *Financial System Inquiry: Final report*, December 2014, recommendation 29.

62 The FSI identified that the Australian Government recovered only a small portion of ASIC's costs directly from industry participants, through the Financial Institutions Supervisory Levies, application fees and the Market Supervision Cost Recovery Regime. The FSI noted that, as a result, ASIC costs were not transparent to industry and ASIC was also exposed to an increased risk of funding cuts unrelated to changes in the cost of delivering on our mandate. It also noted that the Senate Economics References Committee's report, *Performance of the Australian Securities and Investments Commission* (published in June 2014), highlighted that resource

constraints affect ASIC's capacity to conduct supervision and surveillance across regulated entities.

63 The industry funding model for ASIC:

(a) ensures that the costs of the regulatory activities undertaken by ASIC are borne by those creating the need for regulation, rather than Australian taxpayers;

(b) establishes price signals in the way resources are allocated within ASIC;

(c) provides economic incentives to drive the Government's desired regulatory outcomes for the financial system;

(d) provides greater stability and certainty in ASIC's funding and ensures that ASIC is adequately resourced to carry out our regulatory mandate; and

(e) improves our cost transparency and accountability to industry.

Statutory authority for the levies

64 The legislative framework for the levies is established by a number of Acts, regulations and legislative instruments:

(a) the Cost Recovery Levy Act, which imposes a levy on persons we regulate to recover our regulatory costs;

(b) the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*, which empowers ASIC to collect the levy and requires entities to submit annual metrics so that we can calculate the levy;

(c) the Cost Recovery Levy Regulations, which set out the criteria for determining the subsectors an entity is a part of and the metrics to be used for calculating the levy payable by entities in each subsector. The Regulations also require ASIC to make an annual legislative instrument setting out, for each subsector, our regulatory costs and the total amount of activity (the subsector metric) for the financial year; and

(d) the Corporations (Review Fees) Regulations 2003, under which our regulatory costs for small proprietary companies will be recovered through an increase to the annual review fee for proprietary companies.

65 The Australian Government has undertaken extensive consultation to develop and refine the industry funding model. Treasury consulted on the development of the industry funding model in August 2015 and again in November 2016. Exposure draft legislation was released for public consultation in 2017. Treasury also conducted roundtable meetings with various stakeholder groups.

66 The Australian Government also conducted public consultation on the Cost Recovery Levy Regulations in May 2017, and again on amendments to the regulations in April 2018. In January 2019, the Government consulted on further amendments to the Cost Recovery Levy Regulations, including the introduction of a new subsector for entities subject to close and continuous monitoring: see the exposure draft of Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019.

C Cost recovery model

Key points

The cost recovery model will recover the actual costs we expend during each financial year to undertake our regulatory activities.

Once we have allocated our regulatory costs between subsectors, the Cost Recovery Levy Regulations set out how we will allocate our regulatory costs between regulated entities in a subsector.

Our forecast for our 2018–19 regulatory costs is $273 million. Table 6 sets out how we have allocated these forecast costs between each subsector.

The indicative levies in this CRIS are estimates. Actual levies will differ with changes in costs, population and business activity metrics.

Outputs and business processes of the regulatory charging activity

Business process

67 ASIC is committed to achieve our vision of a fair, strong and efficient financial system for all Australians. Our 'threat, harm and behaviour' framework guides how we identify and prioritise threats of harm, the behaviours that underpin them, and actual and potential harms to consumers, investors, and fair and efficient markets. The framework informs the strategic priorities in our corporate plan, and supports how we allocate our resources and in turn our regulatory costs.

68 The framework includes our approach to:

(a) monitoring our operating environment to understand key trends;

(b) identifying and prioritising areas of focus by understanding the behaviours that drive misconduct and the harms that result from them; and

(c) testing the threats and harms that we have identified by consulting independent external advisory panels and experts.

69 We have several regulatory tools for addressing harms: see paragraphs 29–35 and Table 4.

Outputs

70 Our performance evaluation framework sets out the outcomes we will use to measure our performance in achieving our vision and the evidence of those

outcomes: see our *Corporate Plan 2018–22: Focus 2018–19*. Our performance measures are based on:

(a) market outcomes—which reflect the impact of our regulatory work on the markets and sectors we regulate, including on investors and consumers; and

(b) regulatory outcomes—which include the direct results from using our suite of regulatory tools.

71 We report our performance measures in our annual performance statement, which forms part of our Annual Report 2017–18. For an analysis of our activities and outcomes achieved in each industry funding model sector for 2017–18, see 'Section 4: ASIC's achievements by sector' in the Annual Report 2017–18.

Costs of the regulatory charging activity

72 There are two steps in the cost allocation process to calculate the levy payable by each entity in a subsector:

(a) allocate our regulatory costs to each subsector; and

(b) allocate subsector costs to individual entities.

Step 1: Allocate ASIC's regulatory costs to subsectors

73 The industry funding model allocates regulatory costs to each subsector based on ASIC's actual reported regulatory costs we expend for each subsector. The levy will be calculated after we finalise our regulatory costs for the financial year and invoiced in the following financial year.

74 Our forecast for our 2018–19 regulatory costs that will be recovered via industry funding levies is $273 million. This amount includes operating expenditure (excluding depreciation, amortisation and fee-for-service activities), plus adjustment for other items (including capital expenditure allowance). See Table 6 for a breakdown of budgeted costs for each subsector.

75 ASIC uses a cost recovery model for calculating the cost of our regulatory activities. Costs are allocated to each subsector and activity as a direct or indirect cost.

Direct costs

76 Direct costs are allocated where they can be directly traced to a subsector and regulatory activity. By analysing each of our stakeholder team's structures and outputs, we allocated costs such as direct employee expenses and direct supplier costs to the relevant subsector and activity.

Indirect costs

77 Indirect costs represent all costs that cannot be directly attributable to a specific subsector or activity. Indirect costs are allocated to stakeholder, enforcement and registry teams in proportion to the internal support they receive to carry out their work. Indirect costs attributable to ASIC's registry business are not recovered under industry funding: see paragraph 341.

78 We undertook a detailed analysis of support costs to identify which costs can be directly allocated to the stakeholder, enforcement and registry teams. For example, some IT costs are allocated based on storage capacity, length of processes and activity volumes, while other costs to build, support and maintain our IT systems are attributed to ASIC teams based on the number of full-time equivalent (FTE) staff who use those systems. We attribute property costs and some indirect costs—such as governance, leadership and compliance costs—to teams based on their FTE staff. These indirect costs are then directed to subsectors in the same manner as direct costs.

Adjustments

79 Our budgeted costs to regulate each subsector also include adjustments to the total operating costs to reflect the following:

(a) Adjustments for capital expenditure allowance—This adjustment is equal to ASIC's departmental capital budget (funds to meet the costs associated with the replacement of minor assets or maintenance costs that are eligible to be capitalised) and equity injection appropriations to develop infrastructure to support new regulatory responsibilities (e.g. to build new registers, such as the new registry for participating operators of Australian and foreign passport funds and their customers).

(b) Adjustments for ASIC-source revenue—Our regulatory costs are adjusted downwards to reflect revenue from the recovery of our regulatory costs. This revenue is generated from sources such as sub-leasing office space to other agencies and the recovery of court awarded costs. The revenue is offset against the regulatory costs for the subsector in which the cost has been allocated.

(c) Adjustments for market competition recovery—Some subsectors will include an upwards adjustment for market competition cost recovery. This adjustment relates to the deferred costs associated with implementing the market supervision functions we undertook from the transfer of market supervision in 2010. This cost recovery regime has been consolidated into the ASIC industry funding model for our regulatory activities, including the recovery of the deferred costs associated with implementation. Market competition recovery costs will be recovered over three years until 2019–20.

(d) Adjustments for new policy measures—An adjustment for new policy measures is made to reflect the implementation costs associated with new regulatory responsibilities. For the 2018–19 financial year these costs relate to the implementation of the CSF regime (all subsectors), Asia Region Funds Passport regime (responsible entities subsector), corporate collective investment vehicles (CCIVs) regime (responsible entities subsector) and industry funding (all subsectors).

Cost breakdown of our regulatory activities

80 Table 6 sets out the cost breakdown estimates for direct costs, indirect costs and adjustment for each subsector where costs will be recovered under industry funding levies.

Table 6: Cost breakdown estimates for 2018–19

Subsector	Direct costs	Indirect costs	Adjustment costs	Total costs
Listed corporations	$33.502m	$23.471m	$5.950m	$62.923m
Unlisted public companies	$0.528m	$0.594m	$0.420m	$1.542m
Large proprietary companies	$1.923m	$1.836m	$0.235m	$3.994m
Auditors of disclosing entities	$2.852m	$2.513m	$0.884m	$6.248m
Registered company auditors	$0.438m	$0.480m	$0.050m	$0.967m
Registered liquidators	$3.386m	$3.362m	$0.397m	$7.146m
Credit providers	$7.388m	$12.612m	$2.749m	$22.748m
Small and medium amount credit providers	$0.329m	$0.779m	$0.153m	$1.261m
Credit intermediaries	$2.045m	$3.109m	$0.503m	$5.657m
Deposit product providers	$0.790m	$1.415m	$1.813m	$4.019m
Payment product providers	$0.329m	$0.772m	$0.157m	$1.258m
Margin lenders	$0.041m	$0.097m	$0.019m	$0.158m
Superannuation trustees	$3.677m	$4.915m	$5.132m	$13.725m
Responsible entities	$13.505m	$10.698m	$5.418m	$29.621m
Operators of foreign passport funds	Nil	Nil	N/A	Nil
Wholesale trustees	$5.642m	$4.184m	$1.002m	$10.828m
Custodians	$0.232m	$0.463m	$0.346m	$1.042m

Subsector	Direct costs	Indirect costs	Adjustment costs	Total costs
IDPS operators	$0.568m	$0.922m	$0.538m	$2.029m
MDA providers	$0.349m	$0.696m	$0.164m	$1.209m
Traditional trustee company service providers	$0.082m	$0.195m	$0.391m	$0.668m
Large securities exchange operators	$1.945m	$1.750m	$0.773m	$4.468m
Large futures exchange operators	$0.858m	$0.699m	$0.104m	$1.661m
Small futures exchange operators	$0.138m	$0.140m	$0.272m	$0.550m
Small securities exchange operators with self-listing function only	$0.012m	$0.013m	$0.002m	$0.027m
Small securities exchange operators	$0.254m	$0.261m	$0.039m	$0.553m
New specialised market operators	$0.016m	$0.016m	$0.002m	$0.035m
Established specialised market operators	$0.195m	$0.203m	$0.031m	$0.429m
Overseas market operators	$0.785m	$0.826m	$0.125m	$1.736m
Exempt CS facility operators	$0.008m	$0.008m	$0.001m	$0.018m
Tier 1 CS facility operators	$0.813m	$0.844m	$0.127m	$1.784m
Tier 2 CS facility operators	$0.093m	$0.097m	$0.015m	$0.205m
Tier 3 CS facility operators	$0.037m	$0.038m	$0.006m	$0.080m
Tier 4 CS facility operators	$0.012m	$0.013m	$0.002m	$0.027m
Australian derivative trade repository operators	$0.138m	$0.144m	$0.022m	$0.303m
Exempt market operators	$0.033m	$0.045m	$0.008m	$0.085m
Credit rating agencies	$0.122m	$0.127m	$0.019m	$0.268m
Large securities exchange participants	$7.486m	$6.576m	$2.682m	$16.744m
Large futures exchange participants	$1.906m	$1.510m	$0.410m	$3.827m
Securities dealers	$0.749m	$0.680m	$0.165m	$1.594m
Corporate advisers	$1.849m	$1.721m	$0.855m	$4.425m
OTC traders	$2.541m	$1.806m	$0.236m	$4.584m
Retail OTC derivative issuers	$2.936m	$2.156m	$0.274m	$5.366m

Subsector	Direct costs	Indirect costs	Adjustment costs	Total costs
Wholesale electricity dealers	$0.063m	$0.055m	$0.007m	$0.125m
Benchmark administrator licensees	$0.122m	$0.127m	$0.019m	$0.268m
Licensees that provide personal advice to retail clients on relevant financial products	$8.623m	$12.569m	$3.839m	$25.031m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$0.333m	$0.717m	$0.182m	$1.232m
Licensees that provide general advice only	$0.236m	$0.471m	$0.129m	$0.836m
Licensees that provide personal advice to wholesale clients only	$0.229m	$0.494m	$0.131m	$0.855m
Insurance product providers	$3.603m	$7.405m	$2.998m	$14.005m
Insurance product distributors	$0.412m	$0.430m	$0.305m	$1.147m
Risk management product providers	$0.039m	$0.094m	$0.019m	$0.152m
Entities subject to close and continuous monitoring	$3.565m	Nil	N/A	$3.565m
Total costs to be recovered	**$117.760m**	**$115.150m**	**$40.120m**	**$273.030m**

Step 2: Allocate subsector costs to individual entities

81 Once our regulatory costs are allocated to each subsector, the levy payable by an individual entity is worked out using the flat levy formula or graduated formula in the Cost Recovery Levy Regulations. An individual entity's levy for a financial year is equal to its share of flat and graduated levies for each subsector it is part of in the financial year.

Flat levies

82 The flat levy formula apportions our regulatory costs for a subsector between entities, based on each entity's share of actual reported business activity (the business activity metric) within the subsector. The business activity metric used to calculate the levy for each subsector is a readily available metric of business activity—such as revenue generated or the number of days in the financial year that the entity held the relevant AFS licence—that closely aligns to the expected level of oversight required.

83 The flat levy formula will apportion our regulatory costs equally between entities in the same subsector where there is no relevant business activity metric.

Graduated levies

84 Under the graduated levy formula, all entities in a subsector must pay:

(a) a minimum levy; and

(b) an additional graduated component, based on each entity's share of relevant activity within the subsector.

85 We calculate the graduated component by first reducing the total costs for the subsector by the amount to be recovered under the minimum levy and then apportioning the remainder of our costs between entities based on each entity's share of total business activity within the subsector.

86 In some subsectors, the graduated component only applies beyond a prescribed threshold. In these cases, we will apportion our remaining regulatory costs between entities based on each entity's share of total business activity within the subsector above the prescribed threshold.

87 A specific explanation of how the formulas operate in relation to each subsector is set out in Sections D–J.

Annual return

88 Between July and September each year, regulated entities must provide ASIC with their business activity metrics for the previous financial year via the ASIC Regulatory Portal. This information will enable us to calculate each entity's share of the 2018–19 regulatory costs using the flat and graduated levies.

Indicative levies

89 Table 14–Table 66 set out indicative levies for the 2018–19 financial year for each subsector. The indicative levies are a guide only. They are based on our budgeted allocation of costs for each subsector for the 2018–19 financial year and estimates of the population and business activity metrics for each subsector.

90 The Cost Recovery Levy Regulations allow entities in some subsectors to pay their levy on a pro-rata basis. Under the standard pro-rata formula, the levy amount an entity will pay is based on the number of days in the financial year the entity was part of the relevant subsector or held the relevant licence. To calculate indicative levies, in some subsectors, we have

included a full-year equivalent (FYE) number of entities in the subsector, to reflect the pro rata of the levy. For example, if there are two entities in a subsector and one was part of the subsector for only half the year, the FYE number will be 1.5 entities.

91 In January 2020 we will issue invoices under the industry funding model for the 2018–19 financial year. We will calculate the actual levies in the January 2020 invoices after the business activity has occurred and we have finalised our regulatory costs. The actual levies will be based on our actual cost of regulating each subsector in 2018–19 and the actual business activity metrics submitted on the ASIC Regulatory Portal in July to September 2019. This will ensure that each industry subsector is only charged for the actual costs of regulating that subsector.

92 We expect the actual levies will change from the indicative levies in this CRIS. The indicative levies are based on budgeted amounts, representing our best estimate of actual levies. As our operating environment changes over time, so will our allocation of regulatory effort and cost allocation to different subsectors. ASIC's stakeholder teams will update the proportion of their costs allocated to the industry subsectors they support during the year.

93 We cannot prevent change in our operating environment between the time the indicative levy is calculated and the end of the financial year.

D Corporate sector

Key points

This section sets out our budgeted costs and the work we will do during 2018–19 in regulating each of the subsectors in the corporate sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- corporations (see paragraphs 97–109 and Table 7–Table 10);
- auditors (see paragraphs 110–116 and Table 11–Table 12); and
- registered liquidators (see paragraphs 117–119 and Table 13).

Table 14 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the corporate sector

94 The corporate sector consists of companies and those of our regulated population that provide professional services to companies—that is, company auditors and registered liquidators. A company's obligations under the Corporations Act, the activities that we carry out and the intensity of the regulation required, will differ for each type of company.

95 The level of supervision of each subsector in the corporate sector depends on our assessment of the level of potential harm posed by the subsector. For example, we dedicate a significantly larger amount of our regulatory effort to listed corporations, compared to small proprietary companies, because misconduct by listed corporations has the potential to cause greater harm to investors and fair, strong and efficient financial markets.

96 The tables in this section (Table 7–Table 13) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Corporations

Listed corporations

97 In 2018–19, we will focus on promoting healthy capital markets and robust corporate governance. This will include supervision and surveillance, targeting:

(a) corporate governance practices, to enhance investor outcomes and shareholder engagement. For example, we will establish a dedicated taskforce to identify and pursue corporate governance failings in large listed companies;

(b) the processes, policies and procedures of independent expert reports, focusing on a lack of independence and the undue reliance on company analysis;

(c) takeover and control transactions, to ensure they are structured fairly and that investors are provided with sufficient information to make properly informed decisions;

(d) fundraising documents, to ensure that they are clear, concise and effective and provide investors with enough information to make good investment decisions;

(e) initial public offerings, by identifying threats of harm associated with small initial public offerings and the growth in issuers with substantial assets or operations in emerging economies. We will also focus on listing standards and gatekeepers for capital raising; and

(f) announcements and disclosures by mining and resource companies to ensure compliance with the Joint Ore Reserve Committee requirements and Information Sheet 214 *Mining and resources: Forward-looking statements* (INFO 214).

98 When we identify a potential breach of the law or a potential harm we will adopt our new ‘Why not litigate?’ enforcement stance. Where appropriate, we will take administrative, civil, criminal or other enforcement action—including:

(a) taking enforcement action in response to breaches of the corporate governance, corporations or market integrity laws;

(b) imposing a stop order on fundraising documents;

(c) requiring changes to the structure of transactions where we identify regulatory concerns; and

(d) making applications and submissions to the Takeovers Panel.

99 In 2018–19 we will continue to facilitate business transactions by providing relief from the requirements of the law in circumstances where the commercial benefit for such relief outweighs any regulatory detriment.

100 We will provide policy advice and contribute to key reforms and proposals, including corporate governance recommendations arising out of the Royal Commission. We will also provide guidance to industry about how they can comply with their obligations or to clarify our expectations. For example, in 2018–19 we will provide guidance on truth in takeovers, focusing on intention statements made during takeover bids.

101 We will also engage with external shareholders and manage our relationships with them, such as:

(a) ongoing liaison meetings with key stakeholders on a range of corporate governance and corporate finance matters (e.g. our Directors Advisory Panel);

(b) holding half-yearly Corporate Finance liaison meetings; and

(c) publishing half-yearly reports on our regulation of corporate finance and our response to novel relief applications.

Levy for listed corporations

102 Listed corporations will pay a levy calculated in accordance with the graduated levy formula. The levy payable by listed corporations is based on their market capitalisation as at the end of the financial year.

103 All listed corporations will pay a minimum levy of $4,000 if they have a market capitalisation under $5 million. Entities that have a market capitalisation of $5 million or more will pay an additional graduated component, depending on each entity's share of the total market capitalisation of listed corporations in the subsector. However, entities that have a market capitalisation of $20 billion or more will be treated as having a market capitalisation of $20 billion. This will provide a maximum amount of levy that entities in the subsector will be required to pay.

Note: Exempt foreign entities under the ASX listing rules will only be required to pay a levy in relation to their securities held in Australia.

Table 7: Budgeted costs to regulate listed corporations

Expense	Cost
Industry engagement	$1.075m
Education	$0.209m
Guidance	$0.576m
Supervision and surveillance	$9.174m
Enforcement	$25.522m
Policy advice	$0.362m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$4.137m
IT support	$5.563m
Operations support	$2.727m
Property and corporate services	$7.627m
Total operating costs	*$56.973m*
Adjustment for capital expenditure allowance	*$3.303m*
Adjustment for ASIC-sourced revenue	*($0.779m)*

Expense	Cost
Adjustment for market competition cost recovery	*$0.658m*
Adjustment for new policy measures	*$2.755m*
Adjustments for unrecovered 2017–18 costs	*$0.013m*
Total budgeted costs to be recovered by levy	**$62.923m**

Other company subsectors

104 Flat annual levies apply for unlisted public companies and large proprietary companies.

Levy for unlisted public companies

105 Unlisted public companies will pay a flat levy. Under this formula our regulatory costs will be shared equally between all unlisted public companies in the financial year. We will prescribe the number of unlisted public companies for each year as part of our annual legislative instrument.

106 There is no pro rata of the levy because the low annual levy means that pro rataing would be administratively burdensome, disproportionately increasing costs to be passed on to the subsector.

Table 8: Budgeted costs to regulate unlisted public companies

Expense	Cost
Industry engagement	$0.033m
Education	$0.014m
Guidance	$0.026m
Supervision and surveillance	$0.179m
Enforcement	$0.347m
Policy advice	$0.020m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.100m
IT support	$0.140m
Operations support	$0.056m
Property and corporate services	$0.206m
Total operating costs	*$1.122m*
Adjustment for capital expenditure allowance	*$0.173m*
Adjustment for ASIC-sourced revenue	*($0.056m)*

Expense	Cost
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.171m*
Adjustment for unrecovered 2017–18 costs	*$0.133m*
Total budgeted costs to be recovered by levy	**$1.542m**

Levy for large proprietary companies

107 Large proprietary companies will pay a flat levy. Our regulatory costs for the subsector will be shared equally between all large proprietary companies in the financial year. There is no pro rata of the levy, for the reasons set out at paragraph 106.

Table 9: Budgeted costs to regulate large proprietary companies

Expense	Cost
Industry engagement	$0.032m
Education	$0.017m
Guidance	$0.023m
Supervision and surveillance	$0.159m
Enforcement	$1.863m
Policy advice	$0.017m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.394m
IT support	$0.429m
Operations support	$0.208m
Property and corporate services	$0.617m
Total operating costs	*$3.759m*
Adjustment for capital expenditure allowance	*$0.204m*
Adjustment for ASIC-sourced revenue	*($0.021m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.012m*
Adjustment for unrecovered 2017–18 costs	*$0.040m*
Total budgeted costs to be recovered by levy	**$3.994m**

Cost recovery for small proprietary companies

108 Small proprietary companies are not included as a subsector in the Cost Recovery Levy Regulations because we will recover our regulatory costs for this subsector through a $4 increase to the annual review fee for proprietary companies. This will minimise the regulatory burden on small proprietary companies by ensuring they only pay one fee each year. The $4 increase will be subject to indexation. We refer to small proprietary companies as a subsector in the CRIS because we regulate these entities.

109 The $4 increase applies to all proprietary companies. We will reduce our levy for large proprietary companies by an amount equal to the additional $4 (indexed) that large proprietary companies will pay through the increase to the annual review fee.

Table 10: Budgeted costs to regulate small proprietary companies

Expense	Cost
Industry engagement	$0.203m
Education	$0.456m
Guidance	$0.113m
Supervision and surveillance	$2.528m
Enforcement	$2.416m
Policy advice	$0.065m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.775m
IT support	$0.532m
Operations support	$0.251m
Property and corporate services	$1.433m
Total operating costs	*$8.772m*
Adjustment for capital expenditure allowance	*$0.225m*
Adjustment for ASIC-sourced revenue	*($0.457m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$2.500m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by annual review fee	**$11.040m**

Auditors

110 Auditors play a vital role underpinning investor trust and confidence in the quality of financial reports. The regulation of auditors supports the operation of Australia's financial markets by ensuring that financial reports are credible and independently verifiable. This is reflected in our ongoing focus on improving audit quality and the consistency of audit execution.

111 Audit firm inspections and auditor supervision and surveillances are key compliance tools used by ASIC to change the behaviour of registered company auditors and audit firms. We undertake risk-based reviews of auditors to improve audit quality. When we identify a potential harm or breach of accounting and audit standards or the Corporations Act, we will determine the most appropriate response. We can, if appropriate, seek to suspend or cancel the registration of the auditor, or ban them from practising.

112 In 2018–19, we will focus on ensuring auditors deliver professional and high-quality audits through experience and expertise, effective internal supervision and review, and robust accountability mechanisms. This will include:

(a) proactive and reactive supervision and surveillances of audit files;

(b) review of action plans and root-cause analysis to improve audit quality;

(c) working with regulators domestically and internationally to improve audit quality;

(d) liaising with other stakeholders, such as standard setters, accounting bodies, audit committee chairs and academics; and

(e) taking enforcement action where appropriate.

Levy for auditors of disclosing entities

113 Auditors of disclosing entities with quoted securities are subject to a levy based on the value of the work firms undertake. This is because entities that are making substantial fee revenue are either auditing more complex companies, a larger number of companies, or a combination of the two, and poor audit practices within these firms present a larger risk to the broader operation of Australia's financial markets.

114 Our regulatory costs will be divided between entities based on the firm's audit fee revenue from audits of disclosing entities with quoted securities and their controlled entities, relative to the total audit fee revenue for the subsector.

Table 11: Budgeted costs to regulate auditors of disclosing entities

Expense	Cost
Industry engagement	$0.026m
Education	$0.001m
Guidance	$0.012m
Supervision and surveillance	$2.113m
Enforcement	$0.645m
Policy advice	$0.119m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.444m
IT support	$0.702m
Operations support	$0.363m
Property and corporate services	$0.940m
Total operating costs	*$5.364m*
Adjustment for capital expenditure allowance	*$0.435m*
Adjustment for ASIC-sourced revenue	*($0.279m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.728m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$6.248m**

Levy for registered company auditors

115 Registered company auditors are charged a flat levy. The flat levy recognises that we also undertake proactive and reactive supervision and surveillance of audits of unlisted entities, such as registered schemes, AFS licensees, unlisted non-bank lenders, unlisted public companies and large proprietary companies. These activities may result in referrals of individual registered company auditors to the CADB or other actions.

116 A flat levy applies as a relatively small amount of our regulatory effort is expended on registered company auditors. In addition, the total amount to be recovered is small compared to the number of registered company auditors from which the costs will be recovered. A graduated levy would impose additional administrative costs, increase the complexity of the model and recover only a relatively small amount of our regulatory costs.

Table 12: Budgeted costs to regulate registered company auditors

Expense	Cost
Industry engagement	$0.005m
Education	Nil
Guidance	$0.002m
Supervision and surveillance	$0.441m
Enforcement	$0.031m
Policy advice	$0.025m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.067m
IT support	$0.122m
Operations support	$0.063m
Property and corporate services	$0.161m
Total operating costs	*$0.918m*
Adjustment for capital expenditure allowance	*$0.055m*
Adjustment for ASIC-sourced revenue	*($0.015m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.009m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.967m**

Registered liquidators

117 Our regulation of liquidators seeks to ensure that liquidators fulfil their role as fiduciaries diligently, independently and with creditors' interests central to their actions. Consequently, we focus on independence, competence and ensuring that liquidators do not improperly gain from their appointments.

118 To achieve this, we will identify and prioritise threats of harm, the behaviours that underpin them, and actual and potential harms to consumers, investors, and fair and efficient markets. We will:

(a) undertake proactive, risk-based and reactive supervision and surveillances and, where we identify breaches of Corporations legislation or professional standards, take appropriate action—which may result in the suspension or cancellation of the liquidators' registration. Administrative action is available through insolvency practitioners disciplinary committees or through the courts;

(b) undertake project-based work aimed at improving the competence of registered liquidators—for example, consulting with industry to understand the level of protection for external administration funds held to minimise harms from misappropriation;

(c) continue our current risk-based projects focused on the independence and remuneration of registered liquidators;

(d) guide registered liquidators on our expectations concerning specific issues and behaviours;

(e) maintain and publish regular statistical information to inform the market;

(f) provide input into legislative reform like reforms addressing illegal phoenix activity and monitor the effectiveness of changes under the *Insolvency Law Reform Act 2016* and the insolvency safe harbour and *ipso facto* clause law reforms; and

(g) liaise with stakeholders, including other government agencies and industry.

Levy for registered liquidators

119 Registered liquidators will pay a minimum levy of $2,500 and a variable amount, depending on each entity's share of the total number of prescribed notifiable events that occur each year. There is no pro rata of the graduated levy amount because the formula already provides for an effective scale of business activity—an entity that only operates for part of the year would have less prescribed notifiable events.

Table 13: Budgeted costs to regulate registered liquidators

Expense	Cost
Industry engagement	$0.253m
Education	$0.166m
Guidance	$0.139m
Supervision and surveillance	$1.019m
Enforcement	$2.005m
Policy advice	$0.079m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.617m
IT support	$0.903m
Operations support	$0.441m
Property and corporate services	$1.128m
Total operating costs	*$6.749m*

Expense	Cost
Adjustment for capital expenditure allowance	*$0.488m*
Adjustment for ASIC-sourced revenue	*($0.242m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.151m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$7.146m**

Summary table of budgeted levies for the corporate sector

Table 14: Budgeted levies for the corporate sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Listed corporations	$62.923m	2,177	**Market capitalisation** An entity *listed* at the end of the financial year must multiply: • the price for the entity's main class of securities at the time market closes on the last trading day of the financial year; and • the number of securities in that class at that relevant time. An entity *unlisted* at the end of the financial year (but listed in the financial year) must multiply: • the last price for the entity's main class of securities on the day before the entity stops being listed; and • the number of securities in that class at that relevant time. Note: Exempt foreign entities under the ASX listing rules will only be required to pay a levy in relation to their securities held in Australia.	$4,000	$5m market capitalisation (minimum levy threshold) $20bn market capitalisation (maximum levy threshold)	$4,000 plus $0.39 per $10,000 of market capitalisation above $5m. Maximum levy of $785,654, for entities with a market capitalisation of greater than $20bn
Unlisted public companies	$1.542m	16,014	Flat levy	N/A	N/A	$96
Large proprietary companies	$3.994m	11,333	Flat levy Note: To ensure large proprietary companies are not overcharged, the actual levy will be reduced by the $4 increase in the annual review fee for proprietary companies.	N/A	N/A	$352
Small proprietary companies	$11.040m	2,409,919	Costs recovered via an increase in the annual review fee for proprietary companies	N/A	N/A	Not applicable. Recovered via the annual review fee

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Auditors of disclosing entities	$6.248m	123	**Audit fee revenue** The total of the fees paid or payable to the entity in the financial year for the auditing and review of financial reports that relate to: • a disclosing entity with quoted securities; or • an entity controlled by a disclosing entity with quoted securities. Note: Whether a disclosing entity controls another entity is decided in accordance with the accounting standard AASB 10 *Consolidated Financial Statements*	N/A	No threshold	$133 per $10,000 of fees paid or payable
Registered company auditors	$0.967m	4,453	Flat levy	N/A	N/A	$217
Registered liquidators	$7.146m	673	**Number of external administration appointments and notifiable events** The sum of: • the number of specified appointments under Ch 5 of the Corporations Act accepted by the entity that financial year and in an earlier financial year if the entity is still acting at the start of the financial year for which the levy is to be calculated (see reg 20(3)(a)–(b)); • the number of specified notifiable events entered on the Published Notices Website by the entity (see reg 20(3)(c)); and • the number of documents lodged with ASIC by the entity for: – a notice of the outcome of a proposal to pass a resolution without a meeting; and – an executed deed of company arrangement (see reg 20(3)(d)).	$2,500	No threshold	$2,500 plus $83 per appointment and notifiable event

E Deposit taking and credit sector

Key points

This section sets out our budgeted costs and the work we will do during 2018–19 in regulating each of the subsectors in the deposit taking and credit sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- credit licensees (see paragraphs 122–135 and Table 15–Table 17);
- deposit product providers (see paragraphs 136–138 and Table 18);
- payment product providers (see paragraphs 139–142 and Table 19); and
- margin lenders (see paragraphs 143–145 and Table 20).

Table 21 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the deposit taking and credit sector

120 The deposit taking and credit sector consists of credit licensees (including credit providers, credit intermediaries and small amount credit providers) and AFS licensees (including deposit product providers, payment product providers and margin lenders).

121 The tables in this section (Table 15–Table 20) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Credit licensees

122 There are around 6,300 credit licensees with an authorisation to provide credit and/or engage in other credit activities. They include credit providers, such as authorised deposit-taking institutions (banks, credit unions and building societies), and credit intermediaries, such as mortgage and finance brokers.

123 We administer Australia's consumer credit laws to improve consumer outcomes by ensuring compliance by lenders and brokers with the responsible lending obligations and reduce the extent to which consumers are sold products that do not meet their needs.

124 Our regulatory work includes monitoring credit licensees' compliance with the National Credit Act and taking appropriate action in response to non-compliance. We also engage with stakeholders to ensure risks are identified and addressed and provide guidance to credit licensees about their legal obligations.

125 In 2018–19, we will continue our work promoting responsible lending practices and appropriate responses to financial hardship in the credit industry. We will continue to focus on the risk of loan payment stress resulting from inappropriate lending and changing economic conditions, with a focus on home lending and high-risk products (e.g. small amount credit contracts and consumer leasing). We will also publish revised guidance on responsible lending practices.

126 We will work to reduce the sale of inappropriate products and inappropriate outcomes. Our work in relation to the mis-selling of products will be targeted on products marketed and sold to vulnerable consumers. We will also look beyond mis-selling to consider inappropriate outcomes more broadly—such as those resulting from poor product design, or where conduct falls short of community expectations.

127 We will also focus on innovation and facilitating appropriate legislative reform. In this area we monitor product developments, as well as engaging with new businesses through our Innovation Hub. In addition, we will focus on contributing to law reform at various stages of implementation. Examples include reforms relating to credit cards, small amount credit contracts, consumer leases, dispute resolution, and recommendations from the FSI on design and distribution and product intervention powers.

Levies for credit licensees

128 The intensity of our regulation depends on the services offered by a credit licensee (i.e. credit provision or intermediary services), as well as the scale of the licensee's operation. For example, large credit businesses with significant customer bases present a greater potential risk to consumers, investors and markets than smaller institutions, and therefore may require more regulatory attention.

129 The credit licensee levies are generally cumulative—for example, if a credit licensee holds authorisations as a credit provider and a credit intermediary and provides both small amount credit contracts and regular loans, they are required to pay the levy applicable for all three subsectors. Each graduated levy is calculated separately and only relates to the licensee's involvement in that activity or subsector.

Credit providers

130 An entity that holds an Australian credit licence (credit licence) authorising it to engage in credit activities as a credit provider will fall within this subsector.

131 All credit providers (including those that only provide credit under small and medium amount credit contracts—see paragraph 133) will pay a minimum levy of $2,000. Credit providers that provide more than $100 million in credit contracts (other than under small and medium amount credit contracts) will also pay a variable component based on the credit provider's share of the total value of credit contracts above the $100 million threshold provided by the subsector each financial year.

Table 15: Budgeted costs to regulate credit providers

Expense	Cost
Industry engagement	$0.366m
Education	$0.172m
Guidance	$0.099m
Supervision and surveillance	$3.600m
Enforcement	$4.437m
Policy advice	$0.220m
Financial capability work	$1.876m
Governance, central strategy and policy, and central legal functions	$2.058m
IT support	$2.552m
Operations support	$1.232m
Property and corporate services	$3.389m
Total operating costs	*$19.999m*
Adjustment for capital expenditure allowance	*$1.348m*
Adjustment for ASIC-sourced revenue	*($0.620m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$2.005m*
Adjustment for unrecovered 2017–18 costs	*$0.016m*
Total budgeted costs to be recovered by levy	**$22.748m**

Small and medium amount credit providers

132 An entity will fall within the subsector if it:

(a) holds a credit licence authorising it to engage in credit activities as a credit provider; and

(b) provides credit under a small amount credit contract or a medium amount credit contract.

Note 1: ‘Small amount credit contract’ is defined in s5 of the National Credit Act. Small amount credit contracts are also known as ‘small amount loans’ and ‘payday loans’.

Note 2: ‘Medium amount credit contract’ is defined in s204 of the National Credit Code (Sch 1 to the National Credit Act).

133 The subsector regulatory costs will be shared between entities based on each entity’s share of the total amount of credit provided under small amount credit contracts or medium amount credit contracts. There is no minimum levy because entities that fall within the subsector will also fall within the credit provider subsector and therefore would have to pay the $2,000 minimum levy applicable to that subsector.

Table 16: Budgeted costs to regulate small and medium amount credit providers

Expense	Cost
Industry engagement	$0.034m
Education	$0.016m
Guidance	$0.009m
Supervision and surveillance	$0.333m
Enforcement	$0.014m
Policy advice	$0.020m
Financial capability work	$0.175m
Governance, central strategy and policy, and central legal functions	$0.100m
IT support	$0.150m
Operations support	$0.070m
Property and corporate services	$0.188m
Total operating costs	*$1.108m*
Adjustment for capital expenditure allowance	*$0.088m*
Adjustment for ASIC-sourced revenue	*($0.058m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.123m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.261m**

Credit intermediaries

134 Entities that hold a credit licence authorising them to engage in credit activities other than as a credit provider will fall within this subsector.

135 Each credit intermediary will pay a minimum levy of $1,000 and then a variable amount depending on the number of credit representatives the entity has as a proportion of the total number of credit representatives in the subsector.

Table 17: Budgeted costs to regulate credit intermediaries

Expense	Cost
Industry engagement	$0.076m
Education	$0.036m
Guidance	$0.021m
Supervision and surveillance	$0.753m
Enforcement	$1.470m
Policy advice	$0.046m
Financial capability work	$0.391m
Governance, central strategy and policy, and central legal functions	$0.540m
IT support	$0.642m
Operations support	$0.314m
Property and corporate services	$0.865m
Total operating costs	*$5.154m*
Adjustment for capital expenditure allowance	*$0.329m*
Adjustment for ASIC-sourced revenue	*($0.130m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.278m*
Adjustment for unrecovered 2017–18 costs	*$0.026m*
Total budgeted costs to be recovered by levy	**$5.657m**

Deposit product providers

136 Deposit product providers are the authorised deposit-taking institutions (i.e. banks, credit unions and building societies) that provide deposit products to consumers, such as deposit accounts, certificates of deposit, and foreign currency deposits. An entity that holds an AFS licence authorisation

to deal in a financial product by issuing deposit products will fall within this subsector.

137 The level of our supervision for deposit product providers is affected by the scale of the entity's operations. Total deposits provide a measure of the entity's scale, customer base and significance to the market.

Levy for deposit product providers

138 To recover our regulatory costs for the subsector, deposit product providers must pay a graduated levy based on the total deposits of the entity. All deposit product providers will pay a minimum levy of $2,000. A deposit product provider that holds more than $10 million in deposits at the end of the financial year will pay a variable component based on its share of the total value of deposits above the $10 million threshold held by the subsector in the financial year.

Table 18: Budgeted costs to regulate deposit product providers

Expense	Cost
Industry engagement	$0.036m
Education	$0.017m
Guidance	$0.010m
Supervision and surveillance	$0.355m
Enforcement	$0.553m
Policy advice	$0.022m
Financial capability work	$0.184m
Governance, central strategy and policy, and central legal functions	$0.235m
IT support	$0.281m
Operations support	$0.136m
Property and corporate services	$0.377m
Total operating costs	*$2.205m*
Adjustment for capital expenditure allowance	*$0.151m*
Adjustment for ASIC-sourced revenue	*($0.072m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$1.730m*
Adjustment for unrecovered 2017–18 costs	*$0.004m*
Total budgeted costs to be recovered by levy	**$4.019m**

Payment product providers

139 Payment product providers are AFS licensees that deal in financial products through which, or through the acquisition of which, non-cash payments can be made.

140 In 2018–19, we are contributing to a Council of Financial Regulators working group that is considering the regulatory framework for some classes of payments products.

141 We will continue to monitor these licensees' compliance with their obligations under the Corporations Act through proactive and reactive supervision and surveillances. When we identify a potential harm or potential breach of the law, we will determine the most appropriate response.

Levy for payment product providers

142 Payment product providers must pay a graduated levy. Payment product providers will pay a minimum levy of $2,000 and a graduated levy based on each entity's share of the total revenue received by the subsector.

Note: In 2017–18 payment product providers paid a flat levy.

Table 19: Budgeted costs to regulate payment product providers

Expense	Cost
Industry engagement	$0.035m
Education	$0.016m
Guidance	$0.010m
Supervision and surveillance	$0.329m
Enforcement	$0.019m
Policy advice	$0.021m
Financial capability work	$0.172m
Governance, central strategy and policy, and central legal functions	$0.098m
IT support	$0.148m
Operations support	$0.069m
Property and corporate services	$0.186m
Total operating costs	*$1.102m*
Adjustment for capital expenditure allowance	*$0.087m*
Adjustment for ASIC-sourced revenue	*($0.057m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.122m*

Expense	Cost
Adjustment for unrecovered 2017–18 costs	*$0.004m*
Total budgeted costs to be recovered by levy	**$1.258m**

Margin lenders

143 AFS licensees with an authorisation to deal in a financial product by issuing margin lending facilities during a financial year fall within this subsector. A margin lending facility allows a person to borrow money to invest in securities and other financial products against the security of any equity contribution. While this can help investors increase their returns, it can also magnify any losses.

144 In 2018–19, we will continue to focus on using our regulatory tools to reduce the sale of inappropriate margin lending products to consumers.

Levy for margin lenders

145 A flat levy applies for the margin lender subsector. The subsector regulatory costs will be shared equally based on the number of margin lenders in the financial year. An entity that does not operate for a full financial year will only share in the regulatory costs for the subsector in proportion to the number of days in the financial year the entity held the relevant AFS licence authorisation.

Table 20: Budgeted costs to regulate margin lenders

Expense	Cost
Industry engagement	$0.004m
Education	$0.002m
Guidance	$0.001m
Supervision and surveillance	$0.042m
Enforcement	$0.002m
Policy advice	$0.003m
Financial capability work	$0.022m
Governance, central strategy and policy, and central legal functions	$0.012m
IT support	$0.019m
Operations support	$0.009m
Property and corporate services	$0.023m
Total operating costs	*$0.139m*

Expense	Cost
Adjustment for capital expenditure allowance	*$0.011m*
Adjustment for ASIC-sourced revenue	*($0.007m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.015m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.158m**

Summary table of budgeted levies for deposit taking and credit sector

Table 21: Budgeted levies for the deposit taking and credit sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Credit providers	$22.748m	1,155 (includes small and medium amount credit providers)	**Credit provided in the financial year** The gross amount of credit provided by the entity in the financial year under credit contracts (other than small and medium amount credit contracts).	$2,000	$100m	$2,000 plus $0.36 per $10,000 of credit provided above $100m
Small and medium amount credit providers	$1.261m	195	**Credit provided in the financial year** The gross amount of credit provided under small and medium amount credit contracts.	N/A	No threshold	Not available because the subsector has been amended to include ‘medium amount credit providers’
Credit intermediaries	$5.657m	5,124 (37,479 credit rep-resenta-tives)	**Credit representatives** The number of credit representatives (within the meaning of the National Credit Act) that the entity has at the end of the financial year.	$1,000	No threshold	$1,000 plus $14.33 per credit representative
Deposit product providers	$4.019m	244	**Total deposits** The total value of deposits held at the end of the financial year in deposit products issued by the entity (whether the deposit product was issued in the financial year or an earlier financial year).	$2,000	$10m	$2,000 plus (if the entity’s metric exceeds $10m) $1.56 per $1m of total deposits above $10m

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Payment product providers	$1.258m	652	**Total revenue from payment product provider activity** The total gross revenue received in the financial year in connection with non-cash payment products issued by the entity less expenses incurred during the financial year from dealing in non-cash payment facilities.	$2,000	No threshold	$2,000
Margin lenders	$0.158m	22 (21.5 FYE margin lenders)	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$7,348

F Investment management, superannuation and related services sector

Key points

This section sets out our budgeted costs and the work we will do during 2018–19 in regulating each of the subsectors in the investment management, superannuation and related services sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- superannuation trustees and responsible entities (see paragraphs 150–160 and Table 22–Table 23);
- operators of notified foreign passport funds and regulated former notified funds (see paragraphs 161–163);
- wholesale trustees (see paragraphs 165–167 and Table 24);
- custodians (see paragraphs 168–169 and Table 25);
- IDPS operators (see paragraphs 170–172 and Table 26);
- MDA providers (see paragraphs 173–175 and Table 27);
- traditional trustee company service providers (see paragraphs 176–178 and Table 28); and
- CSF intermediaries (see paragraphs 179–181).

Table 29 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the investment management, superannuation and related services sector

146 The investment management, superannuation and related services sector consists of AFS licensees with authorisations to:

(a) operate registered managed investment schemes (responsible entities);

(b) operate a notified foreign passport fund or a regulated former notified fund;

(c) issue or arrange for the issue of interests in a managed investment scheme to wholesale clients (wholesale trustees);

(d) provide custodial and depository services (custodians); and

(e) act as IDPS operators, MDA providers or traditional trustee company service providers.

147 Entities that are a registerable superannuation entity (RSE) licensees (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (SIS Act)) will also fall within the investment management, superannuation and related services sector (as 'superannuation trustees').

148 We expend a large amount of regulatory effort within this industry sector because of the potential harm to consumers, investors, and fair and efficient markets, due to the large number of interactions entities in this sector have with retail and institutional investors.

149 The tables in this section (Table 22–Table 28) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Superannuation trustees and responsible entities

150 We are primarily responsible for ensuring superannuation trustees meet their obligations to consumers, including disclosure and advice to members and ensuring members have access to complaints processes. Our approach to the regulation of superannuation considers the role of APRA as a superannuation regulator, as well as the role of the Australian Taxation Office. ASIC is the regulator for responsible entities.

151 In 2018–19 we will undertake proactive supervision and surveillances of superannuation trustees and responsible entities that have been identified through our threat, harm and behaviour framework as being most likely to cause harm or potential harm to consumers, investors, and fair and efficient markets.

152 We will use additional funding in 2018–19 to strengthen our supervision of the superannuation sector, and improve transparency and outcomes for superannuation members, by enhancing our supervision and enforcement action. We will focus on current superannuation practices, to identify and respond to:

(a) issues with claims handling, member engagement and disclosure regarding group cover in superannuation;

(b) misleading promotion practices and communicating with industry about good and poor practices;

(c) issues with the role of employers in decisions made by consumers about superannuation—including the provision of advice by trustees and others, disclosure, benefits and inducements to employers, and the role of third-party service providers;

(d) issues with complaints handling; and

(e) poor practices in the distribution of products and provision of advice in connection with superannuation.

153 We will also proactively identify and address harms to consumers, investors and markets in the managed investment scheme sector by:

(a) undertaking surveillance of higher risk responsible entities and superannuation trustees covering culture, incentives and poor compliance arrangements;

(b) reviewing disclosure practices in exchange traded products and listed funds to:

(i) reduce the potential for poor investor outcomes arising from defective disclosure; and

(ii) ensure market operators are operating effectively;

(c) improving transparency around market place lending by publishing the findings of a survey of the sector; and

(d) issuing guidance associated with law reform initiatives in the coming financial year.

154 We are consulting on revised guidance on fee and cost disclosure requirements in Product Disclosure Statements (PDSs) and periodic statements for both superannuation and managed investments: see Consultation Paper 308 *Review of RG 97 Disclosing fees and costs in PDSs and periodic statements* (CP 308).

155 We are implementing regulatory arrangements to give effect to the Asia Region Funds Passport and supporting the development of the CCIV regime.

Levy for superannuation trustees

156 An entity will fall within the superannuation trustees subsector if the entity is an RSE licensee (within the meaning of the SIS Act).

157 Superannuation trustees must pay a levy calculated in accordance with the graduated levy formula. All superannuation trustees will pay a minimum levy of $18,000. Where the total value of assets in all registerable superannuation entities operated by the trustee exceeds $250 million, that trustee will have to pay a graduated levy amount.

158 The graduated levy amount is equal to the value of assets in all registerable superannuation entities operated by the trustee as a proportion of the total value of assets in all entities in the subsector above the $250 million threshold. To avoid double counting of assets, the total value of assets will not include any assets that are an interest in another registerable superannuation entity operated by the trustee. Employer-sponsored receivables are also excluded from total assets for the purposes of calculating the levy.

Table 22: Budgeted costs to regulate superannuation trustees

Expense	Cost
Industry engagement	$0.079m
Education	$0.043m
Guidance	$0.225m
Supervision and surveillance	$1.442m
Enforcement	$2.111m
Policy advice	$0.184m
Financial capability work	$0.773m
Governance, central strategy and policy, and central legal functions	$0.683m
IT support	$1.085m
Operations support	$0.533m
Property and corporate services	$1.433m
Total operating costs	*$8.592m*
Adjustment for capital expenditure allowance	*$0.617m*
Adjustment for ASIC-sourced revenue	*($0.254m)*
Adjustment for market competition cost recovery	*$0.219m*
Adjustment for new policy measures	*$4.496m*
Adjustment for unrecovered 2017–18 costs	*$0.054m*
Total budgeted costs to be recovered by levy	**$13.725m**

Levy for responsible entities

159 Entities that hold an AFS licence authorising them to operate a registered scheme will fall within the responsible entities subsector.

160 All responsible entities in the subsector will pay a minimum levy of $7,000. Where the total value of assets in all registered schemes operated by a responsible entity at the end of the financial year exceeds $10 million, that entity will also have to pay a graduated levy amount. The graduated levy will equal the value of assets in all registered schemes operated by the entity as a proportion of the total value of assets in all registered schemes in the subsector that have a value above the $10 million threshold. To prevent double counting of assets, the total value of assets does not include any assets that are interests in another registered scheme operated by the responsible entity and, if the entity is also a wholesale trustee, any interest in an unregistered managed investment scheme issued by the entity.

Table 23: Budgeted costs to regulate responsible entities

Expense	Cost
Industry engagement	$0.100m
Education	$0.055m
Guidance	$0.265m
Supervision and surveillance	$1.727m
Enforcement	$11.869m
Policy advice	$0.216m
Financial capability work	$0.902m
Governance, central strategy and policy, and central legal functions	$1.818m
IT support	$2.561m
Operations support	$1.315m
Property and corporate services	$3.374m
Total operating costs	*$24.203m*
Adjustment for capital expenditure allowance	*$1.338m*
Adjustment for ASIC-sourced revenue	*($0.297m)*
Adjustment for market competition cost recovery	*$0.219m*
Adjustment for new policy measures	*$4.143m*
Adjustment for unrecovered 2017–18 costs	*$0.014m*
Total budgeted costs to be recovered by levy	**$29.621m**

Operators of notified foreign passport funds and regulated former notified funds

161 An entity is part of the operators of notified foreign passport funds and regulated former notified funds subsector if, at any time in the financial year, the entity is the operator of:

(a) a notified foreign passport fund; or

(b) a regulated former notified fund.

162 In 2018–19 we will focus on implementing regulatory arrangements to give effect to this new initiative. We will develop new registry processes for participating operators of Australian and foreign passport funds and their customers.

Levy for operators of notified foreign passport funds and regulated former notified funds

163 All entities in the subsector must pay a graduated levy, with a minimum levy of $1,000. The graduated levy is equal to the share of the value of Australian assets in all notified foreign passport funds operated by the entity as a proportion of the total value of Australian assets in all notified foreign passport funds in the subsector. To prevent double counting, the entity metric excludes assets that are an interest in another notified foreign passport fund and a regulated former notified fund operated by the entity. If the entity also falls within the wholesale trustee subsector, any assets that are interests in an unregistered managed investment scheme issued by the entity are also excluded. A similar entity metric applies to regulated former notified funds.

164 Our budgeted costs for 2018–19 to regulate operators of notified foreign passport funds and regulated former notified funds are nil. This is a new subsector and for the first year any regulatory costs in 2018–19 will be allocated to the responsible entities subsector.

Wholesale trustees

165 Entities that hold an AFS licence authorising them to deal in a financial product by issuing interests in, or arranging for the issue of interests in, a managed investment scheme to wholesale clients will fall within the wholesale trustee subsector.

166 In 2018–19, we will continue to monitor and conduct proactive surveillance of AFS licensees' compliance with their licence conditions and any conduct that may result in harms to investors.

Levy for wholesale trustees

167 Wholesale trustees must pay a graduated levy. A wholesale trustee will pay a minimum levy of $1,000; the graduated component will depend on its share of the total value of assets in all unregistered schemes in the subsector at the end of the financial year. To avoid double counting, if the entity falls within multiple subsectors the value of assets will be adjusted to exclude assets that are an interest in another registered or unregistered managed investment scheme operated by the wholesale trustee or any assets that are an interest in a notified foreign passport fund or a regulated former notified fund issued by the entity.

Table 24: Budgeted costs to regulate wholesale trustees

Expense	Cost
Industry engagement	$0.009m
Education	$0.008m
Guidance	$0.026m
Supervision and surveillance	$0.185m
Enforcement	$5.698m
Policy advice	$0.022m
Financial capability work	$0.091m
Governance, central strategy and policy, and central legal functions	$0.870m
IT support	$1.010m
Operations support	$0.527m
Property and corporate services	$1.380m
Total operating costs	*$9.826m*
Adjustment for capital expenditure allowance	*$0.480m*
Adjustment for ASIC-sourced revenue	*($0.036m)*
Adjustment for market competition cost recovery	*$0.219m*
Adjustment for new policy measures	*$0.317m*
Adjustment for unrecovered 2017–18 costs	*$0.022m*
Total budgeted costs to be recovered by levy	**$10.828m**

Custodians

168 In 2018–19, we will continue to proactively identify and mitigate harms in this subsector, including supervision and surveillance work arising from our review in 2016–17 of custodians' compliance with the revised custody requirements: see Report 531 *Review of compliance with asset holding requirements in funds management and custodial services* (REP 531).

Levy for custodians

169 A flat levy applies to custodians, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector regulatory costs will be shared equally between all entities in the subsector. A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed any benefits of a graduated levy.

Table 25: Budgeted costs to regulate custodians

Expense	Cost
Industry engagement	$0.011m
Education	$0.006m
Guidance	$0.031m
Supervision and surveillance	$0.195m
Enforcement	$0.012m
Policy advice	$0.025m
Financial capability work	$0.105m
Governance, central strategy and policy, and central legal functions	$0.044m
IT support	$0.097m
Operations support	$0.046m
Property and corporate services	$0.124m
Total operating costs	*$0.695m*
Adjustment for capital expenditure allowance	*$0.063m*
Adjustment for ASIC-sourced revenue	*($0.036m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.318m*
Adjustment for unrecovered 2017–18 costs	*$0.002m*
Total budgeted costs to be recovered by levy	**$1.042m**

IDPS operators

170 Entities that hold an AFS licence authorising them to operate an IDPS will fall within the IDPS operators subsector.

171 In 2018–19, we will monitor the IDPS operators subsector using our threat, harm and behaviour framework to identify and address harms or potential harms to consumers, investors and markets. This includes project work targeted at MDAs and platforms, described in paragraph 174.

Levy for IDPS operators

172 IDPS operators will pay a graduated levy based on each entity’s share of the total amount of gross revenue from IDPS activity in the subsector for the financial year. All IDPS operators must also pay a minimum levy of $10,000.

Table 26: Budgeted costs to regulate IDPS operators

Expense	Cost
Industry engagement	$0.014m
Education	$0.008m
Guidance	$0.039m
Supervision and surveillance	$0.253m
Enforcement	$0.336m
Policy advice	$0.032m
Financial capability work	$0.136m
Governance, central strategy and policy, and central legal functions	$0.127m
IT support	$0.193m
Operations support	$0.095m
Property and corporate services	$0.258m
Total operating costs	*$1.491m*
Adjustment for capital expenditure allowance	*$0.117m*
Adjustment for ASIC-sourced revenue	*($0.054m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.476m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$2.029m**

MDA providers

173 An entity will fall within the MDA providers subsector if it holds an AFS licence authorising it to deal in a financial product by issuing financial products in respect of interests in managed investment schemes, limited to MDA services, or miscellaneous financial investment products, limited to MDA services.

174 In 2018–19, we will review the market practice of MDAs and platforms to identify issues affecting consumer outcomes—for example, transparency and conflicts of interest.

Levy for MDA providers

175 The flat levy will apply to MDA providers, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector regulatory costs will be shared equally between all entities in the subsector.

A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed the benefits of a graduated levy.

Table 27: Budgeted costs to regulate MDA providers

Expense	Cost
Industry engagement	$0.016m
Education	$0.009m
Guidance	$0.046m
Supervision and surveillance	$0.293m
Enforcement	$0.018m
Policy advice	$0.038m
Financial capability work	$0.158m
Governance, central strategy and policy, and central legal functions	$0.067m
IT support	$0.146m
Operations support	$0.069m
Property and corporate services	$0.186m
Total operating costs	*$1.045m*
Adjustment for capital expenditure allowance	*$0.095m*
Adjustment for ASIC-sourced revenue	*($0.054m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.123m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.209m**

Traditional trustee company service providers

176 In 2018–19, we will continue to monitor traditional trustee company service providers and when we identify a potential breach of the law or a potential harm we will determine the most appropriate response.

Levy for traditional trustee company service providers

177 Entities that hold an AFS licence authorising them to provide traditional trustee company services will fall within the traditional trustee company service providers subsector.

178 The flat levy applies to traditional trustee company service providers, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector's regulatory costs will be shared equally between all entities in the subsector. A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed any benefits of a graduated levy.

Table 28: Budgeted costs to regulate traditional trustee company service providers

Expense	Cost
Industry engagement	$0.009m
Education	$0.004m
Guidance	$0.002m
Supervision and surveillance	$0.083m
Enforcement	$0.004m
Policy advice	$0.005m
Financial capability work	$0.044m
Governance, central strategy and policy, and central legal functions	$0.025m
IT support	$0.037m
Operations support	$0.017m
Property and corporate services	$0.047m
Total operating costs	*$0.277m*
Adjustment for capital expenditure allowance	*$0.022m*
Adjustment for ASIC-sourced revenue	*($0.014m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.384m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.668m**

CSF intermediaries

179 The *Corporations Amendment (Crowd-sourced Funding) Act 2017* introduced a legislative framework for crowd-sourced funding from 29 September 2017.

180 In 2018–19 we will continue initiatives to implement the CSF intermediaries framework including industry engagement, policy advice, supervision and increasing transparency about the industry through the publication of survey results for the subsector.

Levy for CSF intermediaries

181 There is no separate subsector for CSF intermediaries under the industry funding model. As a result, the regulatory costs for CSF intermediaries will be allocated proportionally across all subsectors: see Table 3.

Summary table of budgeted levies for the investment management, superannuation and related services sector

Table 29: Budgeted levies for the investment management, superannuation and related services sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Superannuation trustees	$13.725m	139	**Adjusted total assets** The total value of assets in all registrable superannuation entities operated by the entity at the end of financial year, except any assets that are an interest in another registrable superannuation entity operated by the entity and any other assets that are employer sponsored receivables.	$18,000	$250m	$18,000 plus $7.34 per $1m of total assets above $250m
Responsible entities	$29.621m	471	**Adjusted total assets** The total value of assets in all registered schemes operated by the entity at the end of financial year, except any assets that are an interest in another registered scheme operated by the entity and, if the entity is also a wholesale trustee, any interest in an unregistered scheme issued by the entity.	$7,000	$10m	$7,000 plus $22.04 per $1m of total assets above $10m
Wholesale trustees	$10.828m	1,626	**Adjusted total assets** The total value of assets in all unregistered schemes at the end of the financial year, except any assets that are an interest in another registered or unregistered scheme operated by the wholesale trustee or any assets that are an interest in a notified foreign passport fund issued by the entity if the entity forms part of the operators of a notified foreign passport funds subsector.	$1,000	N/A	$1,000 plus $18.18 per $1m of total assets

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Operators of notified foreign passport funds	Nil	0	**Australian assets** Total value of Australian assets in all notifiable foreign passport funds/regulated former notified funds operated by the entity, except any assets that are an interest in another notified foreign passport fund or regulated former notified fund operated by the entity and, if the entity forms part of the wholesale trustees subsector, any assets that are an interest in an unregistered managed investment scheme issued by the entity.	$1,000	N/A	N/A
Custodians	$1.042m	1,023	Flat levy	N/A	N/A	$1,018
IDPS operators	$2.029m	93	**Revenue from IDPS activity** The levy metric will be the sum of: • the amount of gross revenue received from IDPS activities undertaken under the entity's licence in the financial year; and • unless covered under the previous point, any amount paid or payable in the financial year from the IDPS for the performance of obligations imposed on the IDPS operator (even if those obligations are performed by another entity).	$10,000	No threshold	$10,000 plus $17.45 per $10,000 of revenue
MDA providers	$1.209m	198 (189.8 FYE MDA providers)	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation	N/A	N/A	$6,369
Traditional trustee company service providers	$0.668m	13	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation	N/A	N/A	$51,397

G Market infrastructure and intermediaries sector

Key points

This section details our budgeted costs and the work we will do during 2018–19 in regulating the market infrastructure and intermediaries sector. It also goes into more detail about the methodologies we use to calculate the levy that applies to:

- Australian market licensees (see paragraphs 189–208 and Table 30–Table 37);
- CS facility operators (see paragraphs 209–218 and Table 38–Table 42);
- Australian derivative trade repository operators (see paragraphs 219–222 and Table 43);
- exempt market operators (see paragraphs 223–226 and Table 44);
- credit rating agencies (see paragraphs 227–230 and Table 45);
- benchmark administrator licensees (see paragraphs 231–232 and Table 46)
- market participants (see paragraphs 236–241 and Table 47–Table 48);
- securities dealers (see paragraphs 242–244 and Table 49);
- corporate advisers and OTC traders (see paragraphs 245–250 and Table 50–Table 51);
- retail OTC derivatives issuers (see paragraphs 251–255 and Table 52); and
- wholesale electricity dealers (see paragraphs 256–260 and Table 53).

Table 54–Table 55 set out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the market infrastructure and intermediaries sector

182 The market infrastructure and intermediaries sector consists of market infrastructure providers and market intermediaries.

183 The tables in this section (Table 30–Table 53) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Market infrastructure providers

184 Market infrastructure providers are entities that are market licensees, CS facility operators, Australian derivative trade repository licensees, credit rating agencies, and entities that otherwise hold an exemption from the requirement to hold a licence (exempt market operators).

185 Our supervision of market infrastructure providers is critical to the operation of Australia's capital markets. Our role is to oversee these providers' compliance with their obligations under the financial services laws, which plays a central role in ensuring good consumer and investor outcomes and maintaining trust and integrity in Australia's financial markets.

186 As part of our role, we undertake routine reviews of the performance and compliance of market infrastructure providers, which includes real-time frontline supervision of trading on licensed domestic markets, periodic assessments, strategic market-wide and individual entity reviews, ongoing engagement, and periodic remediation.

187 Our work also focuses on ensuring that disruptive innovation benefits issuers and end investors, and that technological developments support investor trust and good consumer and investor outcomes.

188 Our role also includes providing strategic advice to the Australian Government on market infrastructure reform proposals and providing regulatory guidance to industry, including guidance on standards.

Australian market licensees

189 For domestic market licensees, our activities include real-time frontline supervision of trading, market assessments, strategic market reviews, ongoing engagement, and periodic remediation reviews.

190 For foreign market licensees, our work includes reviewing annual reports, monitoring changes in market structure, monitoring regulatory developments and undertaking periodic engagement with regulators in the licensee's home jurisdiction to ensure equivalence of regulatory outcomes, and to share advice and guidance on licensing and the scope of the licensee's activities.

191 In 2018–19, we will continue to evaluate markets to identify potential harms. We will supervise market infrastructure providers' compliance with their obligations, including their management of conflicts of interest and financial risk. We will review the effectiveness of existing market settings, including for dark liquidity and high frequency trading in equities and futures markets, review the market cleanliness of foreign currency markets, and monitor OTC derivatives trade repository data.

192 In 2018–19 we will also work to transition financial market platforms (that were exempt from holding an Australian market licence) into the new market licensing and regulation framework, including issuing new licences.

Levy for large securities exchange operators

193 An entity that operates a market where 10 million or more transactions in securities are entered on the market in the financial year will fall within the large securities exchange operators subsector.

194 Our regulatory costs for the subsector will be shared between entities based on the value of all transactions (corrected for cancellations) that are entered into or reported to exchanges operated by the entity as a proportion of the total value of all transactions that are entered into or reported to all exchanges within the subsector.

Table 30: Budgeted costs to regulate large securities exchange operators

Expense	Cost
Industry engagement	$0.117m
Education	$0.006m
Guidance	$0.036m
Supervision and surveillance	$0.788m
Enforcement	$1.056m
Policy advice	$0.118m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.337m
IT support	$0.429m
Operations support	$0.222m
Property and corporate services	$0.587m
Total operating costs	*$3.695m*
Adjustment for capital expenditure allowance	*$0.255m*
Adjustment for ASIC-sourced revenue	*($0.103m)*
Adjustment for market competition cost recovery	*$0.219m*
Adjustment for new policy measures	*$0.402m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$4.468m**

Levy for overseas market operators

195 Entities that operate an overseas market that is licensed under s795B(2) of the Corporations Act will fall within the overseas market operators subsector.

196 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each overseas market that falls within the subsector.

Table 31: Budgeted costs to regulate overseas market operators

Expense	Cost
Industry engagement	$0.067m
Education	$0.003m
Guidance	$0.016m
Supervision and surveillance	$0.662m
Enforcement	$0.015m
Policy advice	$0.117m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.143m
IT support	$0.206m
Operations support	$0.106m
Property and corporate services	$0.277m
Total operating costs	*$1.611m*
Adjustment for capital expenditure allowance	*$0.149m*
Adjustment for ASIC-sourced revenue	*($0.084m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.061m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.736m**

Levy for large futures exchange operators

197 An entity that operates a market where 10 million or more futures transactions are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market or a large securities exchange.

198 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

Table 32: Budgeted costs to regulate large futures exchange operators

Expense	Cost
Industry engagement	$0.059m
Education	$0.003m
Guidance	$0.016m
Supervision and surveillance	$0.505m
Enforcement	$0.258m
Policy advice	$0.085m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.119m
IT support	$0.180m
Operations support	$0.094m
Property and corporate services	$0.238m
Total operating costs	*$1.557m*
Adjustment for capital expenditure allowance	*$0.121m*
Adjustment for ASIC-sourced revenue	*($0.061m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.044m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.661m**

Levy for small futures exchange operators

199 An entity that operates a market where less than 10 million transactions in futures contracts are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market, a small securities (self-listing) exchange or a small securities exchange.

200 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

Table 33: Budgeted costs to regulate small futures exchange operators

Expense	Cost
Industry engagement	$0.014m
Education	$0.001m
Guidance	$0.004m
Supervision and surveillance	$0.113m
Enforcement	$0.003m
Policy advice	$0.018m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.024m
IT support	$0.035m
Operations support	$0.018m
Property and corporate services	$0.047m
Total operating costs	*$0.278m*
Adjustment for capital expenditure allowance	*$0.025m*
Adjustment for ASIC-sourced revenue	*($0.014m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.010m*
Adjustment for unrecovered 2017–18 costs	*$0.251m*
Total budgeted costs to be recovered by levy	**$0.550m**

Note: The adjustment for unrecovered 2017–18 costs represents costs that were not recovered because there were no leviable entities operating in the subsector in 2017–18.

Levy for small securities exchange operators

201 An entity that operates a market where less than 10 million transactions in securities are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market or a small securities (self-listing) exchange.

202 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market.

Table 34: Budgeted costs to regulate small securities exchange operators

Expense	Cost
Industry engagement	$0.034m
Education	$0.002m
Guidance	$0.011m
Supervision and surveillance	$0.208m
Enforcement	$0.005m
Policy advice	$0.030m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.042m
IT support	$0.064m
Operations support	$0.033m
Property and corporate services	$0.086m
Total operating costs	*$0.515m*
Adjustment for capital expenditure allowance	*$0.046m*
Adjustment for ASIC-sourced revenue	*($0.027m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.019m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.553m**

Levy for small securities exchange operators with self-listing function only

203 An entity that operates a market during a financial year where only ordinary shares of the entity can be traded will fall within this subsector. However, an entity will not fall within this subsector if the market is an overseas market or 10 million or more transactions are entered into on the market in the financial year.

204 Our regulatory costs for the subsector will be shared between entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

Table 35: Budgeted costs to regulate small securities exchange operators with self-listing function only

Expense	Cost
Industry engagement	$0.001m
Education	Nil
Guidance	Nil
Supervision and surveillance	$0.010m
Enforcement	Nil
Policy advice	$0.002m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.002m
IT support	$0.003m
Operations support	$0.002m
Property and corporate services	$0.004m
Total operating costs	*$0.025m*
Adjustment for capital expenditure allowance	*$0.002m*
Adjustment for ASIC-sourced revenue	*($0.001m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.001m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.027m**

Levy for new specialised market operators

205 An entity will fall within this subsector if it is operating a new market that has not been previously operated in Australia or overseas, and the entity has never previously held an Australian market licence. An entity will fall within this subsector for two years after it is licensed to operate a specialised market under s795B(1) of the Corporations Act.

206 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

Table 36: Budgeted costs to regulate new specialised market operators

Expense	Cost
Industry engagement	$0.001m
Education	Nil
Guidance	Nil
Supervision and surveillance	$0.013m
Enforcement	Nil
Policy advice	$0.002m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.003m
IT support	$0.004m
Operations support	$0.002m
Property and corporate services	$0.006m
Total operating costs	*$0.032m*
Adjustment for capital expenditure allowance	*$0.003m*
Adjustment for ASIC-sourced revenue	*($0.002m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.001m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.035m**

Levy for established specialised market operators

207 An entity will fall within this subsector if it is the operator of a specialised market and it either:

(a) operates a market in Australia that has been previously operated by it or another entity in Australia or overseas;

(b) operates a new type of market that has never been previously operated in Australia or overseas, but the entity holds or previously held an Australian market licence; or

(c) has already operated a new market that has never been previously operated in Australia or overseas for more than two years.

208 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

Table 37: Budgeted costs to regulate established specialised market operators

Expense	Cost
Industry engagement	$0.017m
Education	$0.001m
Guidance	$0.004m
Supervision and surveillance	$0.162m
Enforcement	$0.004m
Policy advice	$0.029m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.035m
IT support	$0.051m
Operations support	$0.026m
Property and corporate services	$0.068m
Total operating costs	*$0.397m*
Adjustment for capital expenditure allowance	*$0.036m*
Adjustment for ASIC-sourced revenue	*($0.016m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.011m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.429m**

CS facility operators

209 Our work for CS facility operators includes assessing facilities against statutory obligations, reviewing the annual reports of overseas licensees, developing policy and participating in policy reform, providing guidance and advice for licensees, and ensuring jurisdictional compliance with international standards.

210 In 2018–19, we will finalise with the Council of Financial Regulators and Australian Competition and Consumer Commission (ACCC) an approach to safe and effective competition, and efficient and effective delivery of settlement services.

Levies for CS facility operators

211 There are five subsectors for CS facility operators, depending on whether:

(a) the CS facility(ies) they operate fall into one of four tiers; or

(b) the entity is exempt from holding a CS facility licence.

212 Determining which of the four tiers a CS facility falls within is based on the systemic importance and the strength of the domestic connection of the facility. Entities should consider the matters set out in s827A of the Corporations Act when determining whether their CS facility is systemically important and the strength of the domestic connection to Australia. Additionally, the Council of Financial Regulators' *Application of the regulatory influence framework for cross-border central counterparties* (published March 2014) sets out requirements for the different tiers of CS facilities.

213 The flat levy formula will apply to Tiers 1–4 CS facility operators and exempt CS facility operators. Our regulatory costs for each of these subsectors will be shared between all entities in the subsector in proportion to the number of days each entity operates each CS facility that falls within the tier or is exempt.

Tier 1 CS facility operators

214 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is systemically important in Australia and has a strong connection to the Australian financial system.

Table 38: Budgeted costs to regulate Tier 1 CS facility operators

Expense	Cost
Industry engagement	$0.069m
Education	$0.003m
Guidance	$0.016m
Supervision and surveillance	$0.681m
Enforcement	$0.015m
Policy advice	$0.121m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.147m
IT support	$0.212m
Operations support	$0.109m
Property and corporate services	$0.285m
Total operating costs	*$1.657m*
Adjustment for capital expenditure allowance	*$0.151m*
Adjustment for ASIC-sourced revenue	*($0.086m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.062m*

Expense	Cost
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.784m**

Tier 2 CS facility operators

215 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is systemically important in Australia but does not have a strong domestic connection to the Australian financial system.

Table 39: Budgeted costs to regulate Tier 2 CS facility operators

Expense	Cost
Industry engagement	$0.008m
Education	Nil
Guidance	$0.002m
Supervision and surveillance	$0.078m
Enforcement	$0.002m
Policy advice	$0.014m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.017m
IT support	$0.024m
Operations support	$0.013m
Property and corporate services	$0.033m
Total operating costs	*$0.191m*
Adjustment for capital expenditure allowance	*$0.017m*
Adjustment for ASIC-sourced revenue	*($0.010m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.007m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.205m**

Tier 3 CS facility operators

216 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is not systemically important in Australia and does not have a strong domestic connection to the Australian financial system.

Table 40: Budgeted costs to regulate Tier 3 CS facility operators

Expense	Cost
Industry engagement	$0.003m
Education	Nil
Guidance	$0.001m
Supervision and surveillance	$0.031m
Enforcement	$0.001m
Policy advice	$0.005m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.007m
IT support	$0.010m
Operations support	$0.005m
Property and corporate services	$0.013m
Total operating costs	*$0.075m*
Adjustment for capital expenditure allowance	*$0.007m*
Adjustment for ASIC-sourced revenue	*($0.004m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.003m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.080m**

Tier 4 CS facility operators

217 An entity will fall within this subsector if it holds a licence that only authorises the entity to operate a CS facility for the sole purpose of clearing and settling trades in the entity's own shares.

Table 41: Budgeted costs to regulate Tier 4 CS facility operators

Expense	Cost
Industry engagement	$0.001m
Education	Nil
Guidance	Nil
Supervision and surveillance	$0.010m
Enforcement	Nil
Policy advice	$0.002m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.002m
IT support	$0.003m
Operations support	$0.002m
Property and corporate services	$0.004m
Total operating costs	*$0.025m*
Adjustment for capital expenditure allowance	*$0.002m*
Adjustment for ASIC-sourced revenue	*($0.001m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.001m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.027m**

Exempt CS facility operators

218 An entity that operates a market during a financial year that is exempt from the operation of Pt 7.3 of the Corporations Act will fall within this subsector.

Table 42: Budgeted costs to regulate exempt CS facility operators

Expense	Cost
Industry engagement	$0.001m
Education	Nil
Guidance	Nil
Supervision and surveillance	$0.007m
Enforcement	Nil
Policy advice	$0.001m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.001m
IT support	$0.002m
Operations support	$0.001m
Property and corporate services	$0.003m
Total operating costs	*$0.017m*
Adjustment for capital expenditure allowance	*$0.002m*
Adjustment for ASIC-sourced revenue	*($0.001m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.001m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.018m**

Australian derivative trade repository operators

219 In 2018–19 we will continue to monitor OTC derivative trade repository operators to support the integrity of OTC trade data reported to ASIC and other financial regulators. The trade repository data reporting requirements improve the transparency of information in OTC transactions. This better enables ASIC to identify harms and potential harms caused by OTC traders.

220 For Australian derivative trade repository operators, our work includes supervision and surveillance of data integrity and compliance with the ASIC Derivative Trade Repository Rules 2013, assessment of each entity's annual compliance report, guidance on applicable rules, and oversight of breach reporting, remediation and related enforcement activity.

Levy for Australian derivative trade repository operators

221 An entity falls within the Australian derivative trade repository operators subsector if the entity operates a licensed derivative trade repository.

222 Entities that fall within this subsector must pay a levy based on the flat levy formula, because our regulatory activity and effort is relatively similar for each regulated trade repository. Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each repository that falls within the subsector.

Table 43: Budgeted costs to regulate Australian derivative trade repository operators

Expense	Cost
Industry engagement	$0.012m
Education	Nil
Guidance	$0.003m
Supervision and surveillance	$0.116m
Enforcement	$0.003m
Policy advice	$0.021m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.025m
IT support	$0.036m
Operations support	$0.019m
Property and corporate services	$0.048m
Total operating costs	*$0.282m*
Adjustment for capital expenditure allowance	*$0.026m*
Adjustment for ASIC-sourced revenue	*($0.015m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.011m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.303m**

Exempt market operators

223 There are currently two types of exempt market operators: entities that are exempt from holding a market licence and entities that are exempt from holding a CS facility licence (exempt CS facility operators: see Table 42).

224 Our work for exempt market operators includes:

(a) reviewing trading volumes;

(b) monitoring changes in market structure, where relevant;

(c) monitoring regulatory developments in their home jurisdiction to ensure equivalence of regulatory outcomes;

(d) advice and guidance on the scope of activities;

(e) reviewing periodic reports; and

(f) compliance with conditions of authorisation.

Levy for exempt market operators

225 An entity that operates a market that is exempt from the operation of Pt 7.2 of the Corporations Act will fall within this subsector, unless the market was exempt because of an exemption granted to a class of financial market under s791C of the Corporations Act.

226 Entities that fall within the exempt market operators subsector must pay a levy calculated under the flat levy formula. Our regulatory costs will be shared between all entities in the subsector in proportion to the number of days each entity operates each exempt market that falls within the subsector.

Table 44: Budgeted costs to regulate exempt market operators

Expense	Cost
Industry engagement	$0.003m
Education	Nil
Guidance	$0.001m
Supervision and surveillance	$0.032m
Enforcement	$0.001m
Policy advice	$0.006m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.007m
IT support	$0.010m
Operations support	$0.005m
Property and corporate services	$0.013m
Total operating costs	*$0.078m*
Adjustment for capital expenditure allowance	*$0.009m*
Adjustment for ASIC-sourced revenue	*($0.004m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.003m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.085m**

Credit rating agencies

227 All credit rating agencies operating in Australia must hold an AFS licence. Under the conditions of this licence, credit rating agencies must provide a report to ASIC each financial year that sets out their compliance with the International Organization of Securities Commission's (IOSCO's) Code of Conduct Fundamentals for Credit Rating Agencies (PDF 918 KB), their arrangements to monitor and update credit ratings, and how they are meeting their training requirements for representatives.

228 In 2018–19, we will conduct supervision and surveillance of credit rating agencies. We will monitor credit rating agencies' compliance with their AFS licence conditions, including their implementation of the recommendations in Report 566 *Surveillance of credit rating agencies* (REP 566). In 2018–19 we will also work to align Australia's standards for credit rating agencies with international standards, to obtain recognition from the European Union.

Levy for credit rating agencies

229 An entity that holds an AFS licence that authorises it to provide general advice by issuing a credit rating will fall within this subsector.

230 Entities that fall within this subsector must pay a levy calculated in accordance with the graduated levy formula. All entities that fall within the subsector will pay a minimum levy of $2,000. Entities within the subsector that have a supervisory college will also pay a variable component based on the number of days the entity held the relevant AFS licence authorisation and for which there was a supervisory college for the entity.

Table 45: Budgeted costs to regulate credit rating agencies

Expense	Cost
Industry engagement	$0.010m
Education	Nil
Guidance	$0.002m
Supervision and surveillance	$0.102m
Enforcement	$0.002m
Policy advice	$0.018m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.022m
IT support	$0.032m
Operations support	$0.016m
Property and corporate services	$0.043m
Total operating costs	*$0.249m*

Expense	Cost
Adjustment for capital expenditure allowance	*$0.023m*
Adjustment for ASIC-sourced revenue	*($0.013m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.009m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.268m**

Benchmark administrator licensees

231 In 2018–19 we will continue to oversee the implementation of new reforms to establish a comprehensive regulatory regime for financial benchmarks in Australia, including licensing key Australian benchmark administrators.

Levy for benchmark administrator licensees

232 Entities that hold a licence to administer a financial benchmark will fall within the benchmark administrator licensees subsector. Each entity will pay a flat levy. Our regulatory costs for the subsector will be shared in proportion to the number of days each entity administers each financial benchmark it is licensed to administer.

Table 46: Budgeted costs to regulate benchmark administrator licensees

Expense	Cost
Industry engagement	$0.008m
Education	Nil
Guidance	$0.002m
Supervision and surveillance	$0.067m
Enforcement	$0.034m
Policy advice	$0.011m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.029m
IT support	$0.030m
Operations support	$0.023m
Property and corporate services	$0.045m
Total operating costs	*$0.249m*
Adjustment for capital expenditure allowance	*$0.023m*

Expense	Cost
Adjustment for ASIC-sourced revenue	*($0.013m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.009m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.268m**

Market intermediaries

233 Market participants and securities dealers (market intermediaries) generally engage in the trading behaviour that creates demand for market supervision and have a recognised ‘gatekeeper’ role in the Australian regulatory regime. To maintain trust and integrity in financial markets, we supervise market intermediaries’ compliance with the Corporations Act and ASIC market integrity rules, and ensure intermediaries are meeting their AFS licence conditions. Where harm or potential harm is detected, we conduct investigations and may take enforcement action.

234 In 2018–19, we will continue to promote better conduct by market intermediaries, including through:

(a) real-time supervision and surveillance of activity on Australia’s financial markets, including monitoring and reviewing the distribution of complex products;

(b) considering changes to policy and applications for relief and waivers from existing obligations;

(c) assessing and enhancing intermediaries’ risk management systems and controls; and

(d) continuing our work on standard setting on cyber resilience, as well as measuring and assessing the level of cyber preparedness at the individual entity and sector levels.

235 We will also continue to provide feedback to entities and industry on the data gathered from our supervision and surveillances, and highlight critical areas of concern.

Market participants

236 In 2018–19, we will use our threat, harm and behaviour framework to help us identify harms or potential harms to investors, consumers and markets in the market participants subsectors. When we identify a potential breach of

the law or risk or cause of harm we will determine what is the most appropriate response.

237 The costs related to regulating market participants are split between large securities exchange participants and large futures exchange participants.

Levy for large securities exchange participants

238 An entity will fall within this subsector if the entity is a participant in a large securities exchange during the financial year.

239 Participants are charged a minimum levy of $9,000, plus a graduated levy based on each entity's share of the total number of messages sent and transactions entered or reported to a large securities exchange that are recognised by our Markets Supervision and Surveillance System: see paragraph 57.

Table 47: Budgeted costs to regulate large securities exchange participants

Expense	Cost
Industry engagement	$1.476m
Education	$0.077m
Guidance	$0.595m
Supervision and surveillance	$4.249m
Enforcement	$1.800m
Policy advice	$0.154m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$1.017m
IT support	$1.639m
Operations support	$0.841m
Property and corporate services	$2.216m
Total operating costs	*$14.062m*
Adjustment for capital expenditure allowance	*$0.952m*
Adjustment for ASIC-sourced revenue	*($0.598m)*
Adjustment for market competition cost recovery	*$1.895m*
Adjustment for new policy measures	*$0.433m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$16.744m**

Levy for large futures exchange participants

240 An entity will fall within this subsector if the entity is a participant in a large futures exchange.

241 All entities in this subsector will pay a $9,000 minimum levy, plus a graduated levy depending on each entity's share of the total number of messages sent and lots entered or reported to a large futures exchange that are recognised by our Markets Supervision and Surveillance System: see paragraph 55.

Table 48: Budgeted costs to regulate large futures exchange participants

Expense	Cost
Industry engagement	$0.412m
Education	$0.021m
Guidance	$0.166m
Supervision and surveillance	$1.184m
Enforcement	$0.289m
Policy advice	$0.043m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.202m
IT support	$0.388m
Operations support	$0.200m
Property and corporate services	$0.512m
Total operating costs	*$3.417m*
Adjustment for capital expenditure allowance	*$0.234m*
Adjustment for ASIC-sourced revenue	*($0.158m)*
Adjustment for market competition cost recovery	*$0.211m*
Adjustment for new policy measures	*$0.115m*
Adjustment for unrecovered 2017–18 costs	*$0.009m*
Total budgeted costs to be recovered by levy	**$3.827m**

Securities dealers

242 In 2018–19, we will monitor the harms and potential harms in the securities dealers subsector and take action where appropriate based on our threat, harm and behaviour framework.

Levy for securities dealers

243 An entity will fall within this subsector if it:

(a) holds an AFS licence that authorises it to deal in securities at any time during the financial year;

(b) is not a participant in a large futures exchange or a large securities exchange; and

(c) more than $250,000 in transactions for the entity has been executed on, or reported to a large securities exchange in the financial year.

244 Entities that fall within this subsector will pay a graduated levy based on the annual transaction value attributable to each securities dealer, compared to the total annual transaction value of all securities dealers. A minimum levy of $1,000 applies to all securities dealers. The graduated levy imposes no additional reporting burden on securities dealers, as we calculate it using data from our market supervision and surveillance system.

Table 49: Budgeted costs to regulate securities dealers

Expense	Cost
Industry engagement	$0.075m
Education	$0.004m
Guidance	$0.030m
Supervision and surveillance	$0.218m
Enforcement	$0.493m
Policy advice	$0.008m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.130m
IT support	$0.162m
Operations support	$0.084m
Property and corporate services	$0.225m
Total operating costs	*$1.429m*
Adjustment for capital expenditure allowance	*$0.087m*
Adjustment for ASIC-sourced revenue	*($0.033m)*
Adjustment for market competition cost recovery	*$0.088m*
Adjustment for new policy measures	*$0.024m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$1.594m**

Corporate advisers and OTC traders

245 In 2018–19, we will monitor the culture and compliance of corporate advisers through risk-based, reactive supervision and surveillances and other actions, based on our threat, harm and behaviour framework for identifying and addressing misconduct and the threat of harm.

Levy for corporate advisors

246 An entity will fall within the corporate advisers subsector if:

(a) it holds an AFS licence or is exempt from holding an AFS licence under s911A(2)(l) or 926A(2) of the Corporations Act; and

(b) either the entity or the entity's authorised representative provides or holds out that it provides one or more of the following financial services:

- (i) financial product advice in Australia to a wholesale client in the course of advising on any of the following:
  - (A) takeover bids or merger proposals;
  - (B) the structure, pricing acquisition or disposal of assets or enterprises;
  - (C) raising or reducing capital through the issue or acquisition of equities or debt; or
- (ii) dealing in a financial product in Australia by underwriting the issue, acquisition or sale of the product.

247 Corporate advisers must pay a minimum levy of $1,000. Entities in the subsector that make more than $100,000 in gross revenue from providing the prescribed financial services in the financial year will pay a graduated levy, based on the entity's gross revenue above $100,000 and its share of the total revenue generated by all entities in the subsector.

Table 50: Budgeted costs to regulate corporate advisers

Expense	Cost
Industry engagement	$0.265m
Education	$0.014m
Guidance	$0.107m
Supervision and surveillance	$0.766m
Enforcement	$0.883m
Policy advice	$0.028m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.307m
IT support	$0.415m
Operations support	$0.213m
Property and corporate services	$0.572m
Total operating costs	*$3.570m*
Adjustment for capital expenditure allowance	*$0.219m*
Adjustment for ASIC-sourced revenue	*($0.098m)*
Adjustment for market competition cost recovery	*$0.658m*
Adjustment for new policy measures	*$0.071m*
Adjustment for unrecovered 2017–18 costs	*$0.005m*
Total budgeted costs to be recovered by levy	**$4.425m**

Levy for OTC traders

248 An entity will fall within this subsector if it:

(a) holds an AFS licence or is exempt from holding a licence under s911A(2)(l) or s926A(2) of the Corporations Act; and

(b) deals in, or holds out that it deals in, OTC products by acquiring, disposing or issuing OTC products to or from professional investors; and

(c) forms part of, or is a related body corporate of, an entity that forms part of, the corporate advisers subsector.

249 An entity will not fall within the subsector, however, if it is part of the responsible entities, superannuation trustees and wholesale trustees subsectors and only deals in, or holds out that it deals in, OTC products as part of its activities relevant to those subsectors.

250 OTC traders must pay a minimum levy of $1,000, plus a graduated levy based on each entity's share of the total number of FTE staff engaged in prescribed activities during the financial year.

Table 51: Budgeted costs to regulate OTC traders

Expense	Cost
Industry engagement	$0.421m
Education	$0.022m
Guidance	$0.168m
Supervision and surveillance	$1.287m
Enforcement	$0.810m
Policy advice	$0.062m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.250m
IT support	$0.470m
Operations support	$0.245m
Property and corporate services	$0.614m
Total operating costs	*$4.348m*
Adjustment for capital expenditure allowance	*$0.281m*
Adjustment for ASIC-sourced revenue	*($0.166m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.120m*
Adjustment for unrecovered 2017–18 costs	*$0.001m*
Total budgeted costs to be recovered by levy	**$4.584m**

Retail OTC derivatives issuers

251 We regulate the conduct and disclosure of issuers of retail OTC derivatives in Australia, including issuers of products such as margin foreign exchange accounts, contracts for difference and binary options.

252 In 2018–19, we will:

(a) continue our reactive and thematic supervision and surveillance of the industry which arises from our threat, harm and behaviour framework;

(b) disrupt unlicensed offering of risky financial products to consumers on digital platforms, applications and payment options;

(c) monitor compliance with:

  (i) the ASIC Client Money Reporting Rules 2017; and

  (ii) our updated guidance for AFS licensees that hold client money for trading in retail OTC derivatives (see Regulatory Guide 212 *Client money relating to dealing in OTC derivatives* (RG 212)); and

(d) engage with stakeholders on the supervisory and governance frameworks of market intermediaries that are expanding their businesses into unique product lines where clients use complex technology trading systems and models;

253 We will continue to liaise with industry to ensure clear expectations are set and to help raise standards across the industry.

Levy for retail OTC derivative issuers

254 An entity will fall within this subsector if it holds an AFS licence authorisation to deal in a financial product by issuing derivatives and make a market for derivatives. An entity will not, however, fall within the subsector if it is regulated by APRA.

255 The flat levy applies to retail OTC derivative issuers in 2018–19. Under this formula, our regulatory costs for the subsector will be shared equally between all entities in the subsector. If an entity does not hold the required AFS licence authorisations for the full financial year it will only be liable for a share of the regulatory costs in proportion to the number of days that it held the authorisations.

Table 52: Budgeted costs to regulate retail OTC derivative issuers

Expense	Cost
Industry engagement	$0.415m
Education	$0.022m
Guidance	$0.167m
Supervision and surveillance	$1.205m
Enforcement	$1.331m
Policy advice	$0.045m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.339m
IT support	$0.550m
Operations support	$0.286m
Property and corporate services	$0.731m
Total operating costs	*$5.092m*

Expense	Cost
Adjustment for capital expenditure allowance	*$0.310m*
Adjustment for ASIC-sourced revenue	*($0.161m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.116m*
Adjustment for unrecovered 2017–18 costs	*$0.008m*
Total budgeted costs to be recovered by levy	**$5.366m**

Wholesale electricity dealers

256 Many participants in the electricity sector deal or make a market in OTC derivatives relating to the wholesale price of electricity. They are therefore required to hold an AFS licence with appropriate authorisations. We have primary responsibility for regulatory oversight of this aspect of their business.

257 Stakeholders in this subsector include entities such as electricity generators, retailers, distributors, renewable energy providers, gas providers and commodity traders (including some investment banks). The substantive operational businesses of these stakeholders are also subject to regulation by three other regulators—the Australian Energy Market Commission, the Australian Energy Regulator and the Australian Energy Market Operator.

258 In 2018–19, we will continue our reactive supervision and surveillance work in this subsector, which primarily arises from breach reports regarding compliance with Australian financial services law. Other business-as-usual work includes providing input, advice and assistance to other regulators and government bodies (both in Australia and overseas).

Levy for wholesale electricity dealers

259 An entity will fall within the wholesale electricity dealers subsector if it incurs liabilities as part of its ordinary business operations in dealing in, or making a market in, OTC derivatives that relate to the wholesale price of electricity. An entity will not be part of the subsector if it is regulated by APRA or is a participant in a financial market.

260 Entities that fall within this subsector must pay a flat levy. Under this formula, our regulatory costs will be shared equally between entities in the subsector, because a relatively small amount of our regulatory effort is expended on this subsector. A graduated levy would impose an additional reporting burden and increase the complexity of the model, which would offset the benefits of a graduated levy.

Table 53: Budgeted costs to regulate wholesale electricity dealers

Expense	Cost
Industry engagement	$0.016m
Education	$0.001m
Guidance	$0.006m
Supervision and surveillance	$0.045m
Enforcement	$0.002m
Policy advice	$0.002m
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	$0.007m
IT support	$0.014m
Operations support	$0.007m
Property and corporate services	$0.018m
Total operating costs	*$0.118m*
Adjustment for capital expenditure allowance	*$0.008m*
Adjustment for ASIC-sourced revenue	*($0.006m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.004m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.125m**

Summary tables for the market infrastructure and intermediaries sector

Table 54: Budgeted levies for the market infrastructure sector

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange operators	$4.468m	2	**Value of transactions** The total value of all transactions that: • are entered into on, or reported to, the large securities exchange(s) operated by the entity in the financial year; • are within the operating rules of the exchange(s); and • are not invalid or cancelled.	No minimum levy	No threshold	$2.82 per $1m of total transactions
Large futures exchange operators	$1.661m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$1,660,629
Small futures exchange operators	$0.550m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$549,935
Small securities exchange operators with self-listing function only	$0.027m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$26,764

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Small securities exchange operators	$0.553m	2	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$276,741
New specialised market operators	$0.035m	1 entity operating 1 market	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$34,793
Established specialised market operators	$0.429m	4 entities operating 12 markets	**Number of markets** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$35,760
Overseas market operators	$1.736m	10 entities operating 10 markets (8.2 FYE markets)	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$211,207
Exempt CS facility operators	$0.018m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$17,843
Tier 1 CS facility operators	$1.784m	4	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$446,068

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Tier 2 CS facility operators	$0.205m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$205,191
Tier 3 CS facility operators	$0.080m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$80,292
Tier 4 CS facility operators	$0.027m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$26,764
Australian derivative trade repository operators	$0.303m	2	**Number of trade repositories** The number of days in the financial year on which the entity operated their trade repository(ies), multiplied by the number of repositories the entity operates.	N/A	N/A	$151,662
Exempt market operators	$0.085m	32	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$3,075
Credit rating agencies	$0.268m	7 (including 3 with a super-visory college)	**Number of days agency authorised with a supervisory college** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation and for which there is a supervisory college.	$2,000	No threshold	$84,547 per supervisory college

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Benchmark administrator licensees	$0.268m	TBA	**Number of days authorised** The number of days in the financial year each entity administers each benchmark it is licensed to administer.	N/A	N/A	Data not available to estimate levy

Table 55: Budgeted levies for market intermediaries sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange participants	$16.744m	68	**Relative volume of transactions and messages on large securities exchanges** The number of messages that are: • sent by the participant in the financial year to a large securities exchange; • reported by the large securities exchange operator to our market supervision and surveillance system; and • recognised by our market supervision and surveillance system as orders or executed transactions. The number of transactions that are: • executed on, or reported to, a large securities exchange by the participant in a financial year; • reported by the large securities exchange operator to our market supervision and surveillance system; and • recognised by our market supervision and surveillance system as executed transactions. Where there are multiple reports containing the same information about the same message or transaction, each message or transaction will only be counted once.	$9,000	No threshold	$9,000 plus 1.8 cents per transaction and 0.049 cents per message

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large futures exchange participants	$3.827m	41	**Relative volume of lots and messages on large futures exchanges** The number of lots that are: • executed on, or reported to, a large futures exchange by the entity in the financial year; • reported by the operator of a large futures exchange to our market supervision and surveillance system; and • recognised by our market supervision and surveillance system as executed lots. The number of messages that are: • sent by the entity to a large futures exchange in a financial year; • reported by the operator of a large futures exchange to our market supervision and surveillance system; and • recognised by our market supervision and surveillance system as orders or executed transactions. Where there are multiple reports about the same message or lot that contain the same information, each message or lot will only be counted once.	$9,000	No threshold	$9,000 plus 0.95 cents per lot and 0.2 cents per message
Securities dealers	$1.594m	886	**Annual transaction turnover value** The total value of transactions in securities (as measured by the buy price plus sale price of securities) that are: • executed on, or reported to, a large securities exchange in the financial year; • reported by the large securities exchange operator to our market supervision and surveillance system; and • recognised by our market supervision and surveillance system as executed transactions.	$1,000	No threshold	$1,000 plus $7.87 per $1m of annual transaction turnover

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Corporate advisers	$4.425m	339	**Revenue from corporate advisory activity** The total gross revenue made in the financial year by the corporate adviser, and the authorised representative of the adviser, from: • providing financial product advice in Australia to a wholesale client in the course of advising on: – takeover bids and/or mergers; – structure pricing and acquisition or disposal of assets or enterprises; and – raising or reducing capital through the issue or acquisition of equities or debt; and • dealing in a financial product in Australia by underwriting the issue, acquisition or sale of the product.	$1,000	$100,000	$1,000 plus $10.57 per $10,000 of annual total revenue over $100,000
OTC traders	$4.584m	68 entities (2,510 FTE staff)	**FTE staff engaged in OTC trading activity** The number of persons who ordinarily act on behalf of the OTC trader or their authorised representative and have, at any time in the financial year, carried out one or more of the following activities in relation to dealing in an OTC financial product with a professional investor: • determining the terms on which the OTC trader is willing to deal; • making or accepting an offer or an invitation to deal; and • managing the financial risk arising from dealing in a financial product.	$1,000	No threshold	$1,000 plus $1,795 per FTE staff engaged in OTC trading activity
Retail OTC derivative issuers	$5.366m	105 (101.6 FYE issuers)	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$52,826
Wholesale electricity dealers	$0.125m	44	Flat levy	N/A	N/A	$2,832

H Financial advice sector

Key points

This section details our budgeted costs and the work we will do during 2018–19 in regulating the financial advice sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- licensees that provide personal advice to retail clients on relevant financial products (see paragraphs 266–271 and Table 56);
- licensees that provide personal advice to retail clients on products that are not relevant financial products (see paragraphs 272–274 and Table 57);
- licensees that provide general advice only to retail or wholesale clients (see paragraphs 275–278 and Table 58); and
- licensees that provide personal advice to wholesale clients only (see paragraphs 279–281 and Table 59).

Table 60 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the financial advice sector

261 The financial advice sector consists of AFS licensees with an authorisation to provide financial product advice to retail or wholesale clients—that is, licensees that provide:

(a) personal advice to retail clients;

(b) general advice only to retail and wholesale clients; and

(c) personal advice to wholesale clients only.

262 Our regulation of the financial advice sector is focused on promoting a fair, strong and efficient financial system for all Australians by holding financial advisers to account.

263 Our work includes monitoring financial advisers’ compliance with their advice conduct obligations under the Corporations Act, identifying causes of harms or breaches of the Corporations Act and ASIC Act, and taking appropriate action. We also engage with stakeholders to ensure harms that threaten good investor and consumer outcomes are identified and addressed and provide guidance and education to financial advisers regarding their legal obligations.

264 In 2018–19, we will focus on:

(a) risk-based supervision and surveillance of the practices of financial advisers, based on our threat, harm and behaviour framework, to identify and address harms that threaten good investor and consumer outcomes;

(b) advice compliance at the five largest financial advice firms;

(c) testing industry compliance with the fee disclosure statement and renewal notice obligations, including reviewing samples of documentation provided to clients;

(d) monitoring firm's remediation programs for fee-for-no-service breaches and continuing to investigate misconduct and take enforcement action;

(e) developing an approved product list reporting regime for firms that issue products and provide advice; and

(f) providing information and support to guide consumers' decisions about setting up SMSFs and taking action where poor advice has been provided to consumers.

265 The tables in this section (Table 56–Table 59) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Licensees that provide personal advice to retail clients on relevant financial products

266 In 2018–19, we will focus on the practices of financial advisers in this subsector to identify harms and potential harms that threaten good investor and consumer outcomes. We will take enforcement or other regulatory action when we identify a potential breach of the law or cause of harm based on our 'Why not litigate?' approach to enforcement.

Note: 'Relevant financial products' are financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of these products: see s922C of the Corporations Act.

267 We will continue to improve the quality of life insurance advice through our supervision and surveillance activities. We will identify advisers who have provided poor advice through our analysis of advisers with a higher likelihood of providing non-compliant life insurance advice, and ban them or take other regulatory action where appropriate.

268 We will also continue to monitor the advice compliance at the five largest financial advice firms, including banning non-compliant advisers who have been identified as part of previous reviews—or taking other regulatory action where appropriate. We will also monitor firms' remediation programs

for non-compliant advice identified as part of previous reviews and for fee-for-no-service breaches. We will continue to investigate misconduct and take enforcement action for fees-for-no-service breaches.

269 We will strive to promote strong and innovative development of the financial system—-for example, through managing requests for assistance and licensing applications from financial technology (fintech) start-up businesses, including the regulatory sandbox licensing exemption. We will also drive the development and use of regulatory technology (regtech) solutions by financial services firms—to deliver better regulatory compliance outcomes for consumers—through problem solving events, collaborative supervision trials, stocktake projects, and internal trials.

Levy for licensees that provide personal advice to retail clients on relevant financial products

270 An entity will fall within this subsector if it holds an AFS licence that authorises it to provide financial product advice on relevant financial products to retail clients.

271 All entities in this subsector will pay a minimum levy of $1,500, and a graduated levy based on each AFS licensee’s share of the total number of advisers registered on the financial advisers register at the end of the financial year. This is because the greater the number of advisers, the larger the number of clients able to be serviced and the higher the level of regulatory oversight required. A licensee will only pay the levy in proportion to the number of days in the financial year they held the relevant AFS licence authorisation.

Table 56: Budgeted costs to regulate licensees that provide personal advice to retail clients on relevant financial products

Expense	Cost
Industry engagement	$0.226m
Education	$0.155m
Guidance	$0.248m
Supervision and surveillance	$3.214m
Enforcement	$5.343m
Policy advice	$0.184m
Financial capability work	$1.017m
Governance, central strategy and policy, and central legal functions	$3.093m
IT support	$2.777m
Operations support	$1.326m
Property and corporate services	$3.609m
Total operating costs	*$21.192m*
Adjustment for capital expenditure allowance	*$1.450m*
Adjustment for ASIC-sourced revenue	*($0.652m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$3.026m*
Adjustment for unrecovered 2017–18 costs	*$0.015m*
Total budgeted costs to be recovered by levy	**$25.031m**

Licensees that provide personal advice to retail clients on products that are not relevant financial products

272 In 2018–19, we will monitor the compliance of these licensees through supervision and surveillances and other actions, using our threat, harm and behaviour framework to identify and describe regulatory risks.

Levy for licensees that provide personal advice to retail clients on products that are not relevant financial products

273 An entity will fall within this subsector if it holds an AFS licence that authorises it to provide financial product advice to retail clients only on basic banking products, general insurance products and consumer credit insurance.

274 Licensees in this subsector will pay a flat levy. The subsector regulatory costs will be shared equally between entities that are part of the subsector for

the full financial year, because regulatory effort for each entity is not dependent on the size of the entity. If an entity does not operate for the full financial year, it will only share in the regulatory costs for the subsector in proportion to the number of days in the financial year that it held the relevant AFS licence authorisation.

Table 57: Budgeted costs to regulate licensees that provide personal advice to retail clients on products that are not relevant financial products

Expense	Cost
Industry engagement	$0.018m
Education	$0.012m
Guidance	$0.020m
Supervision and surveillance	$0.257m
Enforcement	$0.057m
Policy advice	$0.015m
Financial capability work	$0.082m
Governance, central strategy and policy, and central legal functions	$0.179m
IT support	$0.152m
Operations support	$0.070m
Property and corporate services	$0.189m
Total operating costs	*$1.051m*
Adjustment for capital expenditure allowance	*0.087m*
Adjustment for ASIC-sourced revenue	*($0.055m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.149m*
Adjustment for unrecovered 2017–18 costs	*$0.001m*
Total budgeted costs to be recovered by levy	**$1.232m**

Licensees that provide general advice only

275 In 2018–19, we will monitor the compliance of these licensees through supervision and surveillances and other actions, based on our threat, harm and behaviour framework.

Levy for licensees that provide general advice only

276 An entity will fall within this subsector if it holds an AFS licence authorising it to provide financial product advice that is general advice only.

277 Entities in this subsector must pay a flat levy. The regulatory costs for the subsector will be shared equally between all entities in the subsector. Our regulatory costs for each entity in the subsector are not dependent on the size of the entity.

278 There is no pro rata of the levy for the number of days the entity held the relevant AFS licence authorisation, because the low annual levy rate means that pro rating the levy would be administratively burdensome and disproportionately increase costs to be passed on to the subsector.

Table 58: Budgeted costs to regulate licensees that provide general advice only

Expense	Cost
Industry engagement	$0.012m
Education	$0.008m
Guidance	$0.013m
Supervision and surveillance	$0.182m
Enforcement	$0.038m
Policy advice	$0.011m
Financial capability work	$0.052m
Governance, central strategy and policy, and central legal functions	$0.117m
IT support	$0.102m
Operations support	$0.047m
Property and corporate services	$0.127m
Total operating costs	*$0.707m*
Adjustment for capital expenditure allowance	*$0.070m*
Adjustment for ASIC-sourced revenue	*($0.037m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.092m*
Adjustment for unrecovered 2017–18 costs	*$0.004m*
Total budgeted costs to be recovered by levy	**$0.836m**

Licensees that provide personal advice to wholesale clients only

279 In 2018–19, we will monitor the compliance of wholesale advice providers through risk-based, reactive supervision and surveillances and other actions, based on our threat, harm and behaviour framework.

Levy for licensees that provide personal advice to wholesale clients only

280 An entity will fall within this subsector if it holds an AFS licence authorising it to provide financial product advice to wholesale clients only.

281 A flat levy applies. The subsector regulatory costs will be shared equally between all entities in the subsector, because our regulatory costs for each entity are not dependent on each entity's share of total business activity within the subsector. There is no pro rata of the levy, for the reasons outlined at paragraph 278.

Table 59: Budgeted costs to regulate licensees that provide personal advice to wholesale clients only

Expense	Cost
Industry engagement	$0.013m
Education	$0.008m
Guidance	$0.014m
Supervision and surveillance	$0.177m
Enforcement	$0.039m
Policy advice	$0.010m
Financial capability work	$0.056m
Governance, central strategy and policy, and central legal functions	$0.123m
IT support	$0.105m
Operations support	$0.048m
Property and corporate services	$0.130m
Total operating costs	*$0.724m*
Adjustment for capital expenditure allowance	*$0.060m*
Adjustment for ASIC-sourced revenue	*($0.038m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.102m*
Adjustment for unrecovered 2017–18 costs	*$0.007m*
Total budgeted costs to be recovered by levy	**$0.855m**

Summary table of budgeted levies for the financial advice sector

Table 60: Budgeted levies for the financial advice sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Licensees that provide personal advice to retail clients on relevant financial products	$25.031m	2,985 AFS licensees with 22,769 advisers (22,652 FYE advisers)	**Adjusted number of advisers on the financial advisers register** The levy metric is based on the number of relevant providers (within the meaning of s910A) that are: • registered on the financial advisers register at the end of financial year; and • authorised to provide personal advice to retail clients on behalf of the entity.	$1,500	No threshold	$1,500 plus $907 per adviser
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$1.232m	649 (629.3 FYE licensees)	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$1,958
Licensees that provide general advice only	$0.836m	1,012	Flat levy	N/A	N/A	$828
Licensees that provide personal advice to wholesale clients only	$0.855m	1,511	Flat levy	N/A	N/A	$566

I Insurance sector

Key points

This section details our budgeted costs and the work we will do during 2018–19 in regulating the insurance sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- insurance product providers (see paragraphs 289–291 and Table 61);
- insurance product distributors (see paragraphs 292–293 and Table 62); and
- risk management product providers (see paragraphs 294–296 and Table 63).

Table 64 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector

Overview of the insurance sector

282 The insurance sector consists of AFS licensees, including life and general insurance product providers, insurance product distributors (such as insurance brokers), and risk management product providers.

283 We will focus on conflicts of interest in insurance, including insurance in superannuation and financial advice regarding insurance. We will review permissible conflicted payments to advisers and focus our supervision and surveillance activities on conflicts of interest in insurance.

284 In 2018–19, we will continue to focus on the mis-selling of inappropriate products, with a particular emphasis on products sold to vulnerable consumers. We will continue our work on the sale of add-on insurance through car dealerships and consult on a deferred sales model for add-on insurance and other financial products sold through car dealerships.

285 We will monitor practices in the life insurance industry, with a focus on claims handling and consumer outcomes. We will publish the findings from our review of life insurance direct sales and distribution to promote better practices around sales, training incentives and targets: see Report 587 *The sale of direct life insurance* (REP 587). We will follow up on the findings in REP 587, including monitoring and publishing consumer outcomes, targeted remediation and enforcement action and restricting the outbound sale of life insurance in some circumstances.

286 We will continue our work on the handling of life insurance claims, including improving transparency and accountability by establishing a

reporting regime with APRA for the regular publication of life insurance claims and claims-related disputes data.

287 We will also review the current practices in the consumer credit insurance industry. We will review banks' compliance with the recommendations in Report 256 *Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions* (REP 256). We will publish our findings and recommendations and undertake follow-up work as required, including in relation to banks' sales, distribution, compliance monitoring, and complaints handling practices.

288 The tables in this section (Table 61–Table 63) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2018–19.

Insurance product providers

289 An entity will fall within this subsector if it holds an AFS licence with an authorisation to deal in general insurance, life insurance products or investment life products and one of the following applies:

(a) the entity is a general insurer, authorised non-operating holding company or subsidiary of a general insurer or authorised non-operating holding company, within the meaning of the *Insurance Act 1973*;

(b) the entity is a life company that is registered under s21 of the *Life Insurance Act 1995* or a registered non-operating holding company within the meaning of that Act; or

(c) the entity is a party to the types of arrangements prescribed in reg 72(2) of the Cost Recovery Levy Regulations.

Levy for insurance product providers

290 Our regulatory effort for insurance product providers varies depending on whether the entity is a life insurer (or friendly society) or a general insurance product provider, and the scale of its operation. For example, a large general insurer with a substantial customer base presents a significantly larger risk to the broader financial system than a small general insurer with a limited number of products and customers.

291 All entities in the subsector will pay a minimum levy of $20,000. Entities within the subsector that have more than $5 million in relevant insurance product income in the financial year will pay a graduated levy based on the entity's share of the total amount of relevant insurance product income in the subsector.

Table 61: Budgeted costs to regulate insurance product providers

Expense	Cost
Industry engagement	$0.273m
Education	$0.126m
Guidance	$0.074m
Supervision and surveillance	$2.673m
Enforcement	$1.215m
Policy advice	$0.164m
Financial capability work	$1.397m
Governance, central strategy and policy, and central legal functions	$1.070m
IT support	$1.454m
Operations support	$0.687m
Property and corporate services	$1.876m
Total operating costs	*$11.007m*
Adjustment for capital expenditure allowance	*$0.811m*
Adjustment for ASIC-sourced revenue	*($0.462m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$2.608m*
Adjustment for unrecovered 2017–18 costs	*$0.040m*
Total budgeted costs to be recovered by levy	**$14.005m**

Insurance product distributors

292 An entity will fall within this subsector if it holds an AFS licence with an authorisation to deal in general insurance, life insurance products or investment life products. However, an entity will not fall within this subsector if the entity also falls within the insurance product providers subsector for the financial year.

Levies for insurance product distributors

293 A flat levy applies. Our regulatory costs for insurance product distributors will be shared equally between all entities in the subsector, because our level of regulatory activity is relatively similar for entities with each authorisation.

Table 62: Budgeted costs to regulate insurance product distributors

Expense	Cost
Industry engagement	$0.010m
Education	$0.004m
Guidance	$0.003m
Supervision and surveillance	$0.091m
Enforcement	$0.335m
Policy advice	$0.006m
Financial capability work	$0.047m
Governance, central strategy and policy, and central legal functions	$0.077m
IT support	$0.096m
Operations support	$0.048m
Property and corporate services	$0.127m
Total operating costs	*$0.842m*
Adjustment for capital expenditure allowance	*$0.048m*
Adjustment for ASIC-sourced revenue	*($0.014m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.269m*
Adjustment for unrecovered 2017–18 costs	*$0.003m*
Total budgeted costs to be recovered by levy	**$1.147m**

Risk management product providers

294 Entities that hold an AFS licence with an authorisation to deal in a financial product for managing financial risk (that is not a financial product specified in s764A of the Corporations Act) will fall within this subsector—for example, providers of mutual risk products.

295 In 2018–19, we will focus on reducing the sale of inappropriate products to consumers, and the extent of inappropriate outcomes from products. We will monitor the compliance of risk management product providers through supervision and surveillances and other actions, using our ‘threat, harm and behaviour’ framework to identify and describe regulatory risks.

Levy for risk management product providers

296 Risk management product providers will pay a flat levy. Our regulatory costs will be shared equally between all entities in the subsector in

proportion to the number of days in the financial year the entity held the required AFS licence authorisation.

Table 63: Budgeted costs to regulate risk management product provider

Expense	Cost
Industry engagement	$0.004m
Education	$0.002m
Guidance	$0.001m
Supervision and surveillance	$0.040m
Enforcement	$0.002m
Policy advice	$0.002m
Financial capability work	$0.021m
Governance, central strategy and policy, and central legal functions	$0.012m
IT support	$0.018m
Operations support	$0.008m
Property and corporate services	$0.022m
Total operating costs	*$0.133m*
Adjustment for capital expenditure allowance	*$0.011m*
Adjustment for ASIC-sourced revenue	*($0.007m)*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*$0.015m*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$0.152m**

Summary table of levies for the insurance sector

Table 64: Budgeted levies for insurance sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Indicative levy
Insurance product providers	$14.005m	104	**Gross premium and net policy revenue** Gross amount of premiums written and net revenue received, less any reinsurance expenses, in relation to business covered by the entity's AFS licence.	$20,000	$5m	$20,000 plus $2.78 per $10,000 of revenue over $5m
Insurance product distributors	$1.147m	3,043	Flat levy	N/A	N/A	$377
Risk management product providers	$0.152m	58 (55 FYE providers)	**Number of days authorised** The number of days in the financial year on which the entity held the prescribed AFS licence authorisation	N/A	N/A	$2,767

J Large financial institutions sector

Key points

This section details our budgeted costs and the work we will do during 2018–19 to implement close and continuous monitoring of large financial institutions. It also goes into more detail about the methodologies we use to calculate the levies that apply to entities subject to close and continuous monitoring.

Table 65–Table 66 set out how we have allocated our forecast costs and the indicative levy for entities subject to close and continuous monitoring.

Overview of the large financial institutions sector

297 In August 2018, the Australian Government announced additional funding to help ensure ASIC has the resources and powers we need to combat misconduct in the financial services industry, and across all corporations, for the protection of Australian consumers.

Note: See the Hon. Kelly O'Dwyer, then Minister for Revenue and Financial Services, and the Hon. Scott Morrison MP, then Treasurer, *Turnbull Government expands ASIC's armoury*, joint media release, 7 August 2018.

298 Included in the package was additional funding to implement a new and more intensive supervisory approach, by placing senior ASIC staff in major financial institutions to closely monitor their breach management, governance and compliance. This new program of work is called 'close and continuous monitoring'.

299 In 2018–19, our first area of focus will be breach reporting by large institutions. This work will build on work already completed and described in Report 594 *Review of selected financial services groups' compliance with the breach reporting obligation* (REP 594), which provides robust baseline data. We will use this baseline data as a benchmark to assess how the institutions are improving their breach detection, reporting, rectification and customer remediation processes. Future areas of focus will be selected based on the potential for consumer harm, as well as other factors.

Entities subject to close and continuous monitoring

300 An entity will fall within this subsector if, on 1 July 2018:

(a) the total value of deposits held in deposit products issued by the entity is at least $100 billion; or

(b) at least 1,000 relevant providers (within the meaning of s910A of the Corporations Act) are:

  (i) registered on the Register of Relevant Providers; and

  (ii) authorised to provide personal advice to retail clients on behalf of the entity.

Levy for entities subject to close and continuous monitoring

301 A flat levy applies to entities subject to close and continuous monitoring. Each entity in the subsector will be liable for an equal share of our regulatory costs assigned to the subsector.

Table 65: Budgeted costs to implement close and continuous monitoring

Expense	Cost
Industry engagement	Nil
Education	Nil
Guidance	Nil
Supervision and surveillance	$3.565m
Enforcement	Nil
Policy advice	Nil
Financial capability work	Nil
Governance, central strategy and policy, and central legal functions	Nil
IT support	Nil
Operations support	Nil
Property and corporate services	Nil
Total operating costs	*$3.565m*
Adjustment for capital expenditure allowance	*N/A*
Adjustment for ASIC-sourced revenue	*N/A*
Adjustment for market competition cost recovery	*N/A*
Adjustment for new policy measures	*N/A*
Adjustment for unrecovered 2017–18 costs	*N/A*
Total budgeted costs to be recovered by levy	**$3.565m**

Summary table of levies for the large financial institutions sector

Table 66: Budgeted levies for large financial institutions sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Indicative levy
Entities subject to close and continuous monitoring	$3.565m	5	Flat levy	N/A	N/A	$0.713m

K Risk assessment

Key points

We have a wide and varied regulated population, and this breadth and complexity is reflected in the industry funding model. The model incorporates a number of methodologies to calculate how our regulatory costs should be allocated within a subsector to most closely align them with the allocation of our resources.

The potential risks of this model include:

- volatility in levies from year to year;
- differences between estimated levy amounts and the actual amounts levied;
- over or under collecting levies from year to year;
- uncertainty about the introduction of new subsectors; and
- failing to collect sufficient information from entities to calculate the levies that ought to be paid.

These risks have been mitigated and managed by increasing the level of consultation and communication with stakeholders throughout the process, to ensure maximum transparency and understanding.

302 We calculate the levies based on the business activity metrics each leviable entity must provide to ASIC each year. Because of the diversity of entities and activities that we regulate, which can change over time, a large number of different methods are required for allocating our regulatory costs, and these will need to be updated and amended as circumstances change. This is a complex model, and its effectiveness is dependent on collecting complete, accurate and timely information from the entities we regulate.

303 The risks arising from this model, and how we will mitigate them, are set out in Table 67.

Table 67: Mitigation of risks arising from the industry funding model

Risk	Mitigation
Volatility in year-to-year bills	The industry funding model will recover the actual costs we expend during the financial year to undertake our regulatory activities. This ensures that each subsector is only levied for the actual cost of regulating that subsector. However, this also means that each entity's invoice will vary from year to year, according to changes in our priorities and resource allocations. This year we have enhanced our strategic planning process by introducing a new threat, harm and behaviour framework to better identify, describe and prioritise actual and potential harms to consumers, investors, and fair and efficient markets. This framework supports how we plan our regulatory actions and allocate our resources for the year which is reflected in the allocation of regulatory costs to each subsector. Our enhanced strategic planning process should assist stakeholders by signalling at an early stage the cost drivers for the different subsectors which will be reflected in the CRIS each year. We will publish the CRIS and the indicative levies for the coming year, along with the dashboard report (see Appendix 1) that sets out the actual costs for each subsector, so that stakeholders will be able to understand the reasoning underpinning the levies for each subsector that we regulate. Each year we also publish the corporate plan, which outlines our vision and mission for the coming year and our strategic plan to achieve them.
Levies invoiced differ significantly from the estimates provided due to changes in our operating environment	Our enhanced strategic planning process (see the row above) should result in a more reliable estimate of the allocation of regulatory costs for the financial year. However, we cannot prevent change in our operating environment between the time the estimate is provided and the time the levy is invoiced. We strive to be strategic and agile so that we can respond rapidly to changes in our operating environment during the year, including changes to threats of harm and emerging threats that may cause harm. As our operating environment changes over time, so will the allocation of regulatory effort and costs to different subsectors. However, we will publish our annual dashboard report as soon as practicable to give our regulated sectors as much advanced notice of these changes as possible. The annual dashboard report will provide transparency in how the funding has been spent and the regulatory activities that have been undertaken.
Over or under collection of levies	Our balance management strategy is set out in the Cost Recovery Levy Act. Each year we must reduce our regulatory costs by the amount of any excess levy paid in the previous financial year. Similarly, where there has been a shortfall in the recovery of our costs for a previous financial year, we must increase our regulatory costs by the amount of the shortfall. We must attribute any excess or shortfall to the subsectors where the excess or shortfall previously arose. This will ensure that, if there is over or under recovery, it is transparent, and the adjustment are equitable.
The introduction of new subsectors during the financial year, including a new subsector for entities subject to close and continuous monitoring	The introduction of new subsectors will affect the allocation of costs between subsectors and the levy for individual entities. If the Australian Government determines that a new subsector should be introduced to the industry funding model, the Government must amend the Cost Recovery Levy Regulations and undertake appropriate industry consultation (as required by the *Legislation Act 2003*).

Risk	Mitigation
Failure to collect sufficient information from entities to correctly apportion our regulatory costs	Each regulated entity is responsible for: • determining the subsector to which it belongs; and • submitting their business activity metrics on the ASIC Regulatory Portal. This information will be used to determine each entity's share of our regulatory costs. If some entities fail to submit this information, or provide false information, then all entities in that subsector may be levied the wrong amount. The next business activity metrics are due to be submitted between July and September 2019. This will be the second year of submitting the metric; therefore, industry awareness will have improved. We will implement a communications strategy to ensure that industry is once again aware of its obligation to submit their activity metrics. We will also assist, where possible, by pre-filling the reporting forms with information we already hold. The penalty provisions of the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017* should also ensure industry is motivated to report accurate information so we can correctly allocate our costs. It is a criminal offence to fail to comply with the obligation to submit business activity metrics on the ASIC Regulatory Portal by the due date. It is also an offence to submit misleading information. If an entity fails to provide the required information or we are not satisfied with the information provided, we may give an entity a default notice stating the amount that, in our opinion, is the levy payable by the entity for the financial year. That amount is taken to be the levy payable by the entity for the financial year.

PART 2 Fees for service under ASIC industry funding model

304 Part 2 of this CRIS provides information on the implementation of fees for service under the industry funding model.

305 Part 2 sets out:

(a) an introduction to the part (see Section L);

(b) the policy and statutory authority for fees for service (see Section M);

(c) the fees-for-service model (see Section N); and

(d) the risk assessment we have undertaken (see Section O).

L Introduction to Part 2

Key points

The Australian Government has undertaken extensive consultation to develop and refine the fees-for-service model. Treasury consulted on the model in August 2015 and again in November 2017. In January 2019, the Government consulted on further amendments to the fees-for-service model: for more information see paragraphs 342–351.

Part 2 of this CRIS provides information on how we will recover our user-initiated and transaction-based regulatory costs via cost recovery fees in 2018–19. It includes information about the fees for service and the methodology for calculating the fees.

Note: In this CRIS we refer to our cost recovery fees as 'fees for service'.

The regulatory activities where we charge fees for service are licensing and registration, compliance reviews of documents, requests for changes to market operating rules, and assessing applications for relief.

Background to fees for service

306 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. This was in response to the recommendation of the FSI that the Government recover the cost of ASIC's regulatory activities directly from industry participants through fees and levies, calibrated to reflect the cost of regulating the different industry sectors that we regulate.

Note: See FSI, *Financial System Inquiry: Final report*, December 2014, recommendation 29.

307 The industry funding levy component of the industry funding model commenced on 1 July 2017. However, following consultation the Australian Government decided to delay the commencement of the fees-for-service proposals to allow time to refine the model by gathering further data to support the setting of the fee amounts.

308 Prior to the commencement of fees for service, we charged industry fees for around 180 separate regulatory forms, but our fees did not accurately reflect the cost of processing and assessing those forms. Traditionally, many of these activities only attracted a nominal fee, which was not subject to any review, resulting in the cost of these activities being subsidised by taxpayers.

309 The second phase of the ASIC industry funding model—the introduction of ASIC fees for service—commenced on 4 July 2018. From that date we have fully recovered our costs for specific regulatory activities requested by an entity.

Description of our regulatory activities

310 To achieve our vision for a fair, strong and efficient financial system for all Australians, we undertake a range of activities for specific entities at their request. These activities are recovered through fees for service. Our budget data for 2018–19 indicates that fee-related activities will account for approximately 7% of our total regulatory costs.

311 Table 68 outlines our regulatory activities where costs will be recovered through fees for service. The specific fees proposed for each of these activities are detailed in Appendix 2.

Table 68: Fees-for-service activities

Activity	Affected industry sectors or subsectors	Further discussion
Licence application or variation services	Credit licensees (all subsectors) AFS licensees (all subsectors) Market infrastructure providers (all subsectors)	Paragraphs 312–322
Registration application services	Responsible entities Registered liquidators Registered company auditors	Paragraphs 312–318 Paragraphs 323–324
Compliance review of documents lodged with ASIC (such as a prospectus or other compliance document)	Companies (all subsectors) AFS licensees (all subsectors)	Paragraphs 325–330
Requests for changes to market operating rules	Market infrastructure providers	Paragraph 331
Assessment of applications for relief	All sectors and subsectors	Paragraphs 332–338

ASIC's licensing and registration responsibilities

312 Our regulatory mandate includes licensing or otherwise authorising people to operate or participate in the markets and industries that we regulate. In performing our statutory licensing and registration responsibilities, we play an important role in promoting trust and confidence in the financial services industry by ensuring applicants meet statutory minimum standards.

313 ASIC's various statutory licensing and registration responsibilities are undertaken within three particular areas of ASIC. Applications for AFS licences, credit licences and professional registration are assessed by our Licensing team. Our Market Infrastructure team is responsible for assessing applications for Australian market licences, CS facility licences, new Australian derivative trade repositories and financial benchmark administrators. Applications to register a managed investment scheme are assessed by our Investment Managers and Superannuation team.

AFS and credit licensing and professional registration

314 Our Licensing team's role is to assess whether a new applicant meets certain minimum statutory standards for AFS and credit licensing or professional registration. Each application is subject to a detailed and rigorous assessment. This is to ensure that only suitable persons and organisations are licensed or registered, and that applicants are only licensed to provide financial and credit services and products that they are competent to provide. We have adopted a 'whole of ASIC' approach to assessing licensed and professional registered bodies, which involves considering all of the information known to ASIC and any other information collected from the public or other regulatory bodies.

315 As a result of our assessment, licensing or registration applications may be:

(a) *rejected*—applications may be rejected for lodgement because they are manifestly defective and information and content included in the application does not meet the minimum standards;

(b) *withdrawn*—during our assessment we may provide feedback and requisition further information from the applicant. This may cause the applicant to withdraw their application, rather than proceed;

(c) *approved*—applications may be assessed as meeting the requirement to obtain a licence or licence variation, or for professional registration;

(d) *modified*—applications may result in the granting of a licence that is different from that applied for, or that has additional conditions imposed on it. For example, we might:

  (a) impose a key person requirement, require a compliance consultant to be appointed, or tailor a special condition to limit the scope of the activity authorised under the licence; or

  (b) approve a range of financial services or financial products that the applicant is allowed to offer that is narrower than that applied for; or

(e) *refused*—applications may be refused because we are not satisfied that the statutory requirements for granting a licence or registration have been met.

316 In addition to applying for new licences, existing licensees may apply to vary their licence to undertake more, or fewer, financial or credit services. Such variations may be the result of changes in a licensee's business activities or in response to changes in organisational competence. For example, a licensee may wish to expand the scope of its financial services or credit activities or the financial products it deals in or advises on.

317 The regulatory outcomes set out at paragraph 315 apply equally to applications for a variation to an existing licence.

318 There is a narrower range of regulatory outcomes in the regime for professional registrations, given the reduced scope for tailoring registrations or the imposition of conditions on registrants compared with licensees.

Financial markets, CS facilities, financial benchmarks and trade repositories

319 Our Market Infrastructure team is responsible for assessing licence applications for new financial markets, CS facilities, trade repositories and financial benchmark administrators. The team also assess applications from entities seeking exemptions from some or all of the licensing requirements.

320 The Corporations Act sets out the Australian market licensing regime (Pt 7.2), the CS facility licensing regime (Pt 7.3), the financial benchmark administrator licensing regime (Pt 7.5B) and the licensing regime for trade repositories (Pt 7.5A). The Corporations Act also empowers the Minister (or ASIC as a delegate of the Minister) to exempt a financial market, CS facility, trade repository and benchmark administrator from one or more of the licensing requirements. While we receive significantly less of these types of applications than applications for AFS and credit licences, they are typically larger and involve a higher degree of complexity in assessment.

321 When we assess these licence applications, our objective is to facilitate effective capital formation and risk management, to drive good consumer and investor outcomes, and maintain the trust and integrity in the Australian financial system. This helps achieve our vision for a fair, strong and efficient financial system for all Australians.

322 To achieve this objective we may reject, approve, modify or refuse a licence application. We may modify the application by imposing additional conditions. For example, we might impose a condition on the licence that the licensee must:

(a) not commence operating the market until they have provided evidence that they have adequate financial resources to cover the projected cash outflows for the first six months of operation of the market; or

(b) confirm to ASIC in writing that it has employed or engaged all necessary people in all of the positions described in the application and that as a result has sufficient human resources to operate the market properly in accordance with its obligations under the Corporations Act.

Registration of a managed investment scheme

323 When an application to register a managed investment scheme is lodged with ASIC, our Investment Managers team will assess whether it complies with s601EA of the Corporations Act. We must register the scheme within 14 days of lodgement unless it appears to us that the application does not meet one or more of the requirements.

324 In assessing an application to register a scheme we may seek clarification about specific provisions in the scheme's constitution or require further information about the compliance plan. We may also ask for amendments to specific provisions in the constitution if they do not appear to comply with the requirements in the Corporations Act. If it appears to us that the application does not comply with s601EA, and a responsible entity or its advisers are unwilling or unable to amend the application or provisions as required within this 14-day period, we will refuse to register the scheme.

Compliance review of documents lodged with ASIC

325 We undertake compliance reviews of a number of documents related to commercial transactions to promote good consumer and investor outcomes and maintain trust and integrity in the financial system. In reviewing these documents we are concerned with identifying disclosure deficiencies and whether the disclosure complies with the law.

326 Compliance reviews of documents are primarily carried out by our Corporations team and Investment Managers team. These teams concurrently consider any relief sought to facilitate the transactions, as appropriate. In addition, we monitor the conduct of entities party to these transactions for compliance with requirements of the Corporations Act.

327 The types of documents that we review for compliance include:

(a) fundraising offers that require a disclosure document to be lodged with ASIC;

(b) PDSs that must be lodged with ASIC;

(c) control transactions, including takeover bids, court-ordered schemes of arrangement, and other acquisitions to be approved by shareholders or members (including in trust schemes); and

(d) related party transactions.

328 We do not conduct a compliance review of every document lodged with ASIC. In some cases we employ a risk methodology to identify the documents that we will target for review.

329 We will intervene to protect investors if, in a compliance review of a document, we identify disclosure or conduct issues that may undermine market integrity and investor outcomes.

330 The regulatory outcomes we may achieve through compliance reviews of documents include:

(a) corrective disclosure lodged with ASIC and provided to investors;

(b) structural changes to the form of a transaction, so that unacceptable circumstances are remedied and the transaction proceeds in a manner consistent with the principles in the Corporations Act;

(c) identification and removal or rectification of misleading advertising;

(d) stopping the transaction, in some instances using ASIC's stop-order powers; or

(e) if we are unable to resolve our concerns, we may take other action, including applying to the Takeovers Panel for a declaration of unacceptable circumstances or to the court for orders under s1324 or 1325A of the Corporations Act.

Requests for changes to market operating rules

331 Market and CS facility licensees have an ongoing statutory obligation to inform ASIC of any changes to the operating rules of a licensed market or licensed CS facility. Our Markets teams assess these changes in light of the licensee's obligations and the potential effect of the changes on the operation of the facility they are licensed to operate. Where required, the Markets teams will provide a recommendation to the Minister or their delegate about whether all, or a specified part, of the change to the operating rules should be disallowed.

Assessment of applications for relief

332 We have discretionary powers to grant relief from certain provisions of:

(a) the Corporations Act;

(b) the SIS Act;

(c) the National Credit Act; and

(d) the *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009*.

333 The relief includes exemptions from and modifications to the provisions of these Acts. The provisions of the Corporations Act where we most

frequently exercise ASIC's discretionary powers involve financial reporting, takeovers, fundraising, managed investment schemes, licensing and disclosure requirements for financial products. By granting appropriate relief, we allow the law to be flexible in its application, address unintended consequences of the law and facilitate innovation.

334 We will consider and determine all applications for relief based on the facts, circumstances and merits of each individual application. In determining a particular application, we will take into account:

(a) our vision and regulatory objectives (see paragraphs 11–12);

(b) any considerations that we are required to take into account under the law;

(c) the statutory context in which the discretionary power to grant relief appears, and the subject, matter, scope and purpose of the provisions of which it forms part;

(d) any relevant policy we have published and the underlying principles of that policy;

(e) the regulatory consequences that would flow from granting the relief on the conditions proposed, including whether:

  (i) strict compliance with the provisions in the legislation would be impossible or disproportionately burdensome; and

  (ii) consumers would still have the protection intended by Parliament; and

(f) our procedural fairness obligations to third parties.

335 We also attempt to achieve two broad objectives—consistency and definite principles. For more detail on our general approach to applications for relief please see Regulatory Guide 51 *Applications for relief* (RG 51).

336 Generally, an application for relief that is made in accordance with ASIC's existing policy will take less time to consider than an application that raises novel issues. Novel issues are those that require ASIC to formulate substantive new policy, because they:

(a) raise new policy considerations;

(b) involve more than the application of existing policy (legislative policy or ASIC policy) to new situations; or

(c) involve a significant change to, or reversal of, existing ASIC policy.

337 When considering a novel issue, we:

(a) may obtain internal legal advice on the relief sought;

(b) will consider the policy implications of the application, to determine whether the relief should be granted and, if so, on what conditions (this may involve liaising internally on policy issues and may take time); and

(c) may also seek public comment.

338 The additional costs associated with novel applications over and above the flat fee will be recovered under the industry funding levies. We recover the additional costs associated with novel applications for relief under the industry funding levies because:

(a) novel applications often have a wider industry benefit, by drawing our attention to the need for regulatory change or clarification where there are unintended consequences of the law;

(b) the significantly higher costs associated with novel applications for relief may deter applicants from seeking relief regarding areas of law where regulatory change is desirable; and

(c) a subsequent decrease in novel applications may mean that individually, entities face an increased regulatory burden and, industry wide, innovation and new policy development is hindered.

Activities that are excluded from fees for service

Certain lodgement fees

339 The fee for lodgement of certain forms are not recovered under fees for service. We have determined that we previously collected lodgement fees on approximately 60 forms, the funds of which were used to support work across an industry, rather than activities undertaken for an individual entity. An example of this is the lodgement of annual compliance certificates for credit licensees. In these cases, we no longer charge fees on lodgement and these activities are funded by the ongoing industry funding levies.

Registry business

340 We operate a registry business, which maintains data on the 31 registers for which we are responsible. For example, our registry business provides information about Australian companies, business names, AFS licensees, credit licensees and other persons registered with ASIC.

341 The costs associated with our registry business, including indirect costs, will not be recovered through the industry funding model. The fees attached to ASIC forms relating to updating an ASIC registry database will not be cost recovered under the Australian Government Charging Framework. The fees for lodging these forms will continue to be set separately as a general tax,

meaning the benefits to particular individuals as a result of these services are not typically distributed in proportion to the taxation payments made by those individuals.

Changes to the fees for service model

342 On 22 January 2019, the Government released the Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 for public consultation. The new fees for service set out in paragraphs 343–351 commenced on 1 April 2019.

Applications to vary or revoke conditions imposed on a CS facility or market licence

343 We have reviewed the regulatory effort required to assess an application to vary or revoke conditions imposed on CS facility licences and market licences, and found that there is considerable variance in the complexity and effort required to assess each application.

344 The new fee for these applications is tiered to better reflect the regulatory effort required to assess the application. An application will be assessed as low, medium or high complexity. The criteria for determining the complexity of the application is set out in ASIC (Fees—Complexity Criteria) Amendment Instrument 2019/130. The legislative instrument will help the applicant to determine which category they fall under and therefore the fee they are likely to pay.

Notification of resignation by an auditor

345 We must consent to a person resigning as an auditor of a public company: see s329(5)(a) of the Corporations Act.

346 We have reviewed our methodology and the effort required to process an application for this consent. The new fee of $40 better reflects the regulatory effort required to assess and process these applications.

Application for an approved notice period for obtaining member approval

347 A public company, or an entity controlled by the public company, must obtain member approval to give a financial benefit to a related party of the company unless the benefit falls within one of the exceptions: see s208(1) of the Corporations Act. They must convene a company meeting to seek that approval, and at least 14 days before the meeting lodge various material with ASIC: see s218(1) of the Corporations Act.

348 Public companies may apply to ASIC to lodge material less than 14 days before the meeting: see s218(2) of the Corporations Act.

349 We have reviewed the regulatory effort required to assess these applications. We have determined that a fee of $130 reflects our regulatory effort.

Applications seeking no-action letters under the credit legislation

350 Under the National Consumer Credit Protection (Fees) Regulations 2010, ASIC does not have the power to charge a fee for an application seeking a no-action letter under the National Credit Act. A no-action letter is a letter in which we state to a particular person that we do not intend to take regulatory action over a particular state of affairs or particular conduct: see Regulatory Guide 108 *No action letters* (RG 108).

351 The amendments introduce a new fee for lodging an application for a no action letter under the National Credit Act to correct this omission.

M Policy and statutory authority for fees for service

Key points

Our regulatory costs will be recovered from all the industry sectors we regulate through a combination of cost recovery levies, statutory industry levies and fees for service.

The legislative framework for fees for service will be established by five pieces of legislation:

- the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*;
- the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*;
- the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*;
- the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*; and
- the Treasury Laws Amendment (ASIC Fees) Regulations 2018.

Government policy approval for fees for service

352 On 20 April 2016, the Australian Government announced that it would introduce an industry funding model for ASIC.

353 We recover our regulatory costs from all the industry sectors we regulate, through a combination of:

(a) industry funding levies (see Part 1 of this CRIS); and

(b) fees for service, for user-initiated and transaction-based activities where we provide a specific service to individual entities.

354 The second phase of the industry funding model—the introduction of fees for service—is contained in the following legislation, which passed both Houses of Parliament and was assented to by the Governor-General on 28 June 2018:

(a) the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*;

(b) the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*;

(c) the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*;

(d) the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*; and

(e) the Treasury Laws Amendment (ASIC Fees) Regulations 2018.

Statutory authority for fees for service

355 The fees-for-service regime is established by:

(a) the Treasury Laws Amendment (ASIC Fees) Regulations 2018, which amended the Corporations (Fees) Regulations 2001 (Fees Regulations), the National Consumer Credit Protection (Fees) Regulations 2010 and the Superannuation Auditor Registration Imposition Regulation 2012 to:

(i) prescribe the cost recovery fees we can charge for services we provide to a specific entity;

(ii) repeal the fees for our regulatory activities that will be funded by the industry funding levies;

(iii) tier fees, to ensure the fees reflect the complexity of the service and, therefore, our effort in providing the service;

(iv) update the hourly rate that we charge for certain services to ensure the rate reflects our costs; and

(v) ensure only registration fees continue to be indexed for inflation;

(b) the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*, which amended the *Corporations (Fees) Act 2001* to:

(i) enable ASIC to charge tiered fees, based on whether a chargeable matter is low, medium or high complexity;

(ii) increase the statutory caps on fees so we can recover the costs we incur; and

(iii) enable ASIC to charge a different fee for certain chargeable matters based on the type of entity;

(c) the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*, which made minor amendments to the SIS Act to allow ASIC to charge fees for applications to vary or revoke the conditions or cancel the registration of an approved SMSF auditor;

(d) the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*, which amended the National Credit Act to allow ASIC to charge different fees depending on:

(i) whether or not the applicant is an individual; and

(ii) the credit activities they engage in;

(e) the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*, which amended the *Superannuation Auditor Registration Imposition Act 2012* to increase the maximum amount of the fee that can be prescribed in the regulations so we can recover the costs we incur when providing regulatory services to SMSF auditors.

356 We set out the changes to the fees-for-service model proposed since the commencement of fees for service on 4 July 2018 at paragraphs 342–351.

N Fees-for-service model

Key points

The fees for service are calculated based on forecast costs and historical workflow analysis, rather than the actual cost of providing the service to the applicant.

We have adopted tiered fees for service for our regulatory activities that vary in complexity. This will help ensure the fees for service more closely align with our actual effort and, therefore, costs.

Fees for service will be reviewed periodically to ensure they remain current and reflective of effort.

Fees-for-service methodology

357 The methodology for calculating the costs for fees-for-service activities is based on the cost recovery guidelines. We have broken down each of our regulatory activities into distinct outputs and the key business processes that are used to produce those outputs. We then identified the relevant costs and attributed those costs to the outputs and processes.

Step 1: Outputs and business process of the activity

358 Our fees-for-service activities can be broadly categorised as follows:

(a) licensing application or variation services;

(b) registration application services;

(c) compliance review of documents lodged with ASIC;

(d) requests for changes to market operating rules; and

(e) assessing applications for relief (see Table 68).

359 A regulatory form is lodged with ASIC for each fees-for-service activity. For each of these forms we have used workflow analysis to break down the regulatory activity into distinct outputs and the key business processes. Examples of the business process involved in the assessment and processing of three applications are set out in Table 69, Table 70 and Table 71.

Step 2: Costing the activity

360 Once we have identified the business process for our fees-for-service activity, the relevant costs need to be identified and attributed to the business

process. We attribute the costs using a weighted average hourly rate. The hourly rate is calculated for each team involved in the business process and includes indirect costs (made up of property, IT and corporate services costs), apportioned according to average FTE staff.

361 The weighted average hourly rate for each of our regulatory teams is calculated to ensure we comply with the cost recovery guidelines and only recover efficient costs, which are defined as ‘the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government’: see paragraph 83 of the cost recovery guidelines.

362 Our teams are not structured identically, and comprise a varying mix of staff at different levels of seniority and at different salary bands within those seniority levels. Therefore, we have not set a standard hourly rate for the agency as a whole, but instead have calculated weighted average hourly rates in accordance with the specific profile of the different teams.

363 In some cases more than one team contributes to a regulatory activity, and different weighted average hourly rates are applied to capture our efficient costs of the activity.

The fee amount

364 The total fee amount is determined by multiplying the weighted average hourly rate by the regulatory effort (i.e. the average number of hours) required to assess and process each form.

Example of calculating fees for service for multiple team regulatory effort

365 Table 69 sets out an example of the methodology for calculating the costs for fees for service for an application involving regulatory effort by more than one of our teams. Our Licensing team and our Financial Reporting and Audit team are involved in the assessment of an application for registration as an authorised audit company.

366 To determine the efficient costs associated with an application for registration as an authorised audit company, the weighted average hourly rate for the Licensing team is multiplied by the average time spent by the Licensing team to process a registration. The same calculation is performed for the Financial Reporting and Audit team. These amounts are added together to get the total cost that is charged for the activity.

367 The weighted average hourly rates are calculated as fully loaded annual salary under our enterprise agreement, plus indirect costs reflecting the composition of the particular team’s FTE staff.

368 Table 69 also sets out our estimates for direct and indirect costs for each step in the business process. The direct and indirect costs are added together to get the total cost.

Table 69: Example 1—Application for registration as an authorised audit company

Licensing team

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents.	Nil	Nil	Nil	Nil	Nil
An analyst is assigned the application and will initially review it at a high level to determine if the applicant provided the required information. If the application was incomplete, it may be rejected and not accepted for lodgement.	$158	$99	2	$128.44	$257
If accepted, the analyst will review the application to determine the scope of the assessment process and whether the analyst should consult ASIC's specialist stakeholder teams about the application. The analyst will review the application and supporting documentation in detail. The analyst may also requisition the applicant and need to assess further supporting information.	$711	$445	9	$128.44	$1,156
The analyst assesses whether ASIC is satisfied that the applicant is capable of performing the duties of an auditor (including meeting the auditing competency standards or having the requisite practical experience) and is a fit and proper person to be registered as an auditor. The analyst will document their assessment of the material in an assessment worksheet. This worksheet is subject to supervisor review.	$158	$99	2	$128.44	$257
If the application is to be refused, we send a detailed statement of concerns to the applicant. The applicant may contest the analyst's concerns or withdraw their application. If the application is contested, the analyst prepares a detailed brief to be reviewed by a senior person before the matter is referred to an ASIC delegate, who will convene an administrative hearing to provide the applicant an opportunity to be heard before final determination by the ASIC delegate.	$158	$99	2	$128.44	$257
Total fee for Licensing team					**$1,927**

Financial Reporting and Audit team

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
The team provides technical advice on accounting and auditing issues.	$277	$118	2.5	$158.18	$395
The team reviews whether the applicant has complied with the requirements of Regulatory Guide 180 *Auditor registration* (RG 180).	$444	$189	4	$158.18	$633
In certain cases, the team will obtain and review audit engagement files to ascertain the capability of the applicant to be registered.	$332	$142	3	$158.18	$474
Total fee for Financial Reporting and Audit team					**$1,502**

Total fee

Team	Total
Licensing team	$1,927
Financial Reporting and Audit team	$1,502
Total fee	**$3,429**

Note 1: All totals are rounded to the nearest dollar.

Note 2: The weighted average hourly rate is calculated as fully loaded annual salary as per the enterprise agreement plus indirect costs for a particular team's FTE composition, divided by working hours in a year, on an 80% utilisation rate.

Note 3: The time allocated for each step in the business process is an average allowance. The actual time taken will depend on the application. For example, we have allowed two hours under the business process if the application is refused; however, this step can take up to 85 hours if the decision is contested by the applicant.

Tiered fees for service

369 Under our fees-for-service model, the fees payable may not match our exact costs in all cases. This is particularly likely for fees-for-service activities that can vary widely in their complexity, such as a notice of changes to operating rules. In these cases we found there was considerable variance in the actual business process for the fees-for-service activity. To address this concern, the model adopts a more granular approach to determine the fees payable based on the complexity of the application. This will ensure entities pay the appropriate fee based on the complexity of the transaction for the service we provide and allow ASIC to closely recover the actual cost.

370 We will tier these fees to reflect the regulatory effort associated with the fees-for-service activities. We have applied tiered fees based on complexity for the following regulatory activities:

(a) AFS licence applications;

(b) credit licence applications;

(c) Australian market licence applications;

(d) notices of changes to market and CS facility operating rules; and

(e) CS facility licence applications.

371 The Australian Government has also consulted on proposals to introduce new tiered fees for applications to vary or revoke conditions imposed on CS facility licences and market licences: see paragraph 344.

372 The complexity of an AFS licence application will be determined based on the applicant type and the financial service and product authorisation the applicant is seeking. Australian market licence applicants will be directed to contact a member of our Market Infrastructure team when submitting an application for a preliminary assessment of the complexity of the application.

373 The criteria we will apply to determine the complexity of an application is set out in ASIC (Fees—Complexity Criteria) Instrument 2018/578.

Examples of calculating tiered fees for service

374 Table 70 and Table 71 set out an example of the methodology for calculating the costs for fees for service for an application involving tiered fees reflecting the different levels of complexity. The AFS licence application has been divided into two levels of complexity: low and high.

375 To determine the efficient cost of assessing an application for an AFS licence, the weighted average hourly rate for the Licensing team is multiplied by the average time spent processing the application. The level of complexity of the application determines the seniority of the staff working on the application and the average time taken to assess the application. For example, more

experienced and qualified staff will assess a highly complex application, resulting in a higher hourly rate, and the assessment will, on average, take longer to finalise.

376 Table 70 and Table 71 also set out our estimates for direct and indirect costs for each step in the business process. The direct and indirect costs are added together to get the total cost.

Table 70: Example 2—Application for an AFS licence (retail other than an individual)—High complexity

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents. The greater the complexity of the application, the greater the volume of material that will be included in the initial submission. Similarly, a body corporate applicant will typically submit more documentation than an individual—like information on multiple directors and responsible managers, which includes information on their good fame and character.	Nil	Nil	Nil	Nil	Nil
A manager will identify that the applicant has requested high-complexity products and/or services and assign the application. An analyst will initially review the application to determine if the applicant provided the required information (based on the authorisations selected and the responsible managers nominated by the applicant). If the application is incomplete it may be rejected and not accepted for lodgement. If it is not accepted, the analyst typically discusses the deficiencies with the applicant and how to address them, followed by written confirmation.	$601	$376	7	$139.57	$977
If the application is accepted, the analyst will review it to determine the scope of the assessment process. This will include more in-depth analysis of obligations or risks applicable to higher complexity applicants, such as: • additional financial resources or insurance coverage; • client money and scheme property handling procedures; and • dealing (as principal) in derivatives or in other products on behalf of clients on a discretionary basis. This process is more likely to involve the analyst consulting with their supervisor or one of ASIC's specialist stakeholder teams on the application. The analyst will review the application and supporting documentation in detail to confirm that the applicant meets the licensing criteria. The analyst will likely requisition the applicant and need to assess further supporting information. This usually involves both phone and written correspondence.	$2,833	$1,773	33	$139.57	$4,606

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
The analyst assesses whether the applicant can comply with its obligations as a licensee (including the competence of the nominated responsible managers), which are more extensive than for applicants seeking low-complexity authorisations. The analyst will document their assessment of the material in an assessment worksheet, which is subject to supervisor review. The analyst will consider feedback from the supervisor on their assessment. The analyst will undertake final intelligence checks before confirming their approval decision to the applicant in writing, and issuing a licence certificate to the applicant.	$601	$376	7	$139.57	$977
If the application is to be refused, the analyst prepares a detailed brief to be reviewed by a senior person before the matter is referred to an ASIC delegate, who will convene an administrative hearing to provide the applicant an opportunity to be heard before final determination by the ASIC delegate.	$601	$376	7	$139.57	$977
Total fee					**$7,537**

Table 71: Example 3—Application for an AFS licence (retail other than an individual)—Low complexity

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rates (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents. The lower the complexity of the application, the lower the volume of material that will be included in the initial submission.	Nil	Nil	Nil	Nil	Nil

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rates (D)	Total (A+B or CxD)
A manager will identify that the applicant has requested low complexity products and/or services and assign the application. An analyst will initially review the application to determine if the applicant provided the required information (based on the authorisations selected and the responsible managers nominated by the applicant). If the application is incomplete, it may be rejected and not accepted for lodgement. If not accepted the analyst typically discusses the deficiencies with the applicant and how to address them, followed by written confirmation.	$305	$191	4	$124.04	$496
If the application is accepted, the analyst will review it to determine the scope of the assessment process. This process may involve the analyst consulting with their supervisor or one of ASIC’s specialist stakeholder teams in relation to the application. The analyst will review the application and supporting documentation in detail to confirm that the applicant meets the licensing criteria. The analyst may requisition the applicant and need to assess further supporting information. This usually involves both phone and written correspondence.	$1,373	$860	18	$124.04	$2,233
The analyst assesses whether the applicant is capable of complying with its obligations as a licensee (including the competence of the nominated responsible managers). The analyst will document their assessment of the material in an assessment worksheet. This worksheet is subject to supervisor review. The analyst will consider feedback from the supervisor on their assessment. The analyst will undertake final intelligence checks before confirming their approval decision to the applicant in writing, and issuing a licence certificate to the applicant.	$305	$191	4	$124.04	$496
If the application is to be refused, the analyst prepares a detailed brief to be reviewed by a senior person prior to it being referred to an ASIC delegate who will convene an administrative hearing to provide the applicant an opportunity to be heard prior to final determination by the ASIC delegate.	$305	$191	4	$124.04	$496
Total fee					**$3,721**

Cost breakdown of our regulatory activities

377 Table 72 sets out the cost breakdown estimates for direct costs, indirect costs and capital costs for each of our regulatory activities where costs will be recovered through fees for service. These estimates are based on the average volume of applications received over the previous three years.

Table 72: Cost breakdown estimates for our regulatory activities

Fees-for-service activities	Direct costs	Indirect costs	Capital costs	Total costs
Licence application or variation services	$3.78m	$2.19m	N/A	$5.97m
Registration application services	$1.08m	$0.56m	N/A	$1.64m
Compliance review of documents lodged with ASIC (such as a prospectus or other compliance document)	$4.04m	$1.84m	N/A	$5.87m
Request for changes to market operating rules	$0.04m	$0.02m	N/A	$0.07m
Assessment of applications for relief	$4.81m	$2.24m	N/A	$7.05m
Total costs to be recovered	**$13.75m**	**$6.85m**	**N/A**	**$20.60m**

O Risk assessment for fees for service

Key points

The potential risks of the fees-for-service model include:

- the perception that the model lacks transparency about the basis of the fees;
- the fees for service may not match our actual regulatory costs;
- uncertainty about the classification of tiered fees; and
- the tiered fees could result in some entities being subject to a large increase in fees if they fall within the complex category.

Risks can be appropriately mitigated and managed by increasing the level of consultation and communication with stakeholders to ensure maximum transparency and understanding.

378 We have assessed the fees-for-service model as medium risk under the Australian Government Regulatory Charging Risk Assessment. Charging a fee for the lodgement of forms with ASIC is not new. There is a change, however, in the complexity and materiality of those fees. Overall the setting of the fees for service and the subsequent collection is moderately complex.

379 The potential risks arising from the model and how we will mitigate those risks, are set out in Table 73.

Table 73: Mitigation of risks arising from the introduction of fees for service

Risk	Mitigation
The perception that the model lacks transparency about the basis of the fees	Information about fees for service and the methodology for calculating the fees is included in this CRIS and will be published in future versions of the CRIS. In addition, we will consult on our fees every three years. Determining the fees every three years will provide certainty for regulated entities and provide an incentive for ASIC to ensure that we are delivering our services at an efficient cost. Consultation may need to occur earlier if there is an unforeseen change to the work required to provide a particular fee for service activity or if there appears to be a material variation between the actual costs of undertaking the activities and the fees charged. We will report on our actual costs in the financial performance section of this CRIS: see Section Q.

Risk	Mitigation
The fees for service may not match our regulatory costs	Under our fees-for-service model, the fees payable may not match our exact costs in all cases because of the *ex-ante* nature of the model—that is, the fees are based on forecast costs and historical workflow analysis, rather than the actual cost of providing the service. This is particularly likely for fees-for-service activities that can vary widely in their complexity, such as a notice of changes to operating rules. We will tier these fees based on the complexity of the application to more accurately reflect our regulatory costs. The fees will also be reviewed at a minimum of every three years to ensure they are reflective of costs and ensure that investments in technology and process improvements are reflected in the fees in a timely manner.
Uncertainty about the classification of tiered fees	We made ASIC (Fees—Complexity Criteria) Instrument 2018/578, which specifies the criteria for whether certain applications and notices are of low, medium or high complexity for the purposes of fees for service. The instrument enables applicants to understand which 'category' they fall under, and therefore which fee they will be expected to pay. Applicants for a market licence will also be directed to contact a member of our Market Infrastructure team for a preliminary assessment of complexity.
The tiered fees could result in some entities being subject to a large increase in fees if they fall within the complex category	The Australian Government Charging Framework includes a Charging Policy Statement that underpins all Australian Government charging. It provides that 'where specific demand for a government activity is created by identifiable individuals or groups they should be charged for it unless the Government has decided to fund that activity': see *Australian Government Charging Framework: Resource Management Guide No. 302*, July 2015, paragraph 15. The tiered fees are designed to comply with this principle. We can apply tiered fees to reflect our regulatory effort where there is considerable variance in the actual process or assessment This will ensure: • entities pay the appropriate fee, based on the complexity of the transaction for the service we provide; and • we can closely recover our true cost.

PART 3 CRIS engagement and evaluation

380 Part 3 of this CRIS sets out:

(a) the stakeholder engagement undertaken for this CRIS and the industry funding and fees-for-service models (see Section P);

(b) how we measure our financial and non-financial performance (see Section Q)

(c) the key events and estimated dates (see Section R); and

(d) the CRIS approval and change register (see Section S).

P Stakeholder engagement

Key points

This section outlines the most recent engagement with stakeholders on the industry funding model, including:

- our consultation on the version of the CRIS we released in March 2019; and
- the Australian Government's consultation on industry funding levies and fees for service.

In this section, we outline some of the key issues that arose out of the submissions we received on the CRIS and detail our response to those issues.

Stakeholder consultation on the CRIS

381 We released this CRIS for comment on 29 March 2019. We received 18 responses and are grateful to respondents for taking the time to send us their comments.

382 For a list of the non-confidential respondents to the CRIS, see Appendix 4. Copies of these submissions are available on the regulatory costs and levies page on ASIC's website.

383 In this section, we highlight the feedback we received and our response to this feedback. This is not meant to be a comprehensive summary of all responses received. We have limited it to the key issues.

384 The main issues raised by the respondents related to:

(a) the design of the industry funding model (see paragraphs 385–389);

(b) the allocation of budgeted costs to different industry subsectors and categories of regulatory activities (see paragraphs 390–391);

(c) the allocation of overheads to the registered liquidators subsector (see paragraph 392);

(d) the number of leviable entities used to calculate the indicative levy for the registered liquidators subsector (see paragraph 393); and

(e) the impact of additional funding for ASIC on the levies under the industry funding model (see paragraphs 394–395).

Design of the industry funding model

385 Several respondents raised concerns about the design of the industry funding model, rather than the content of this CRIS. Some of these submissions are outlined below.

386 Some respondents were concerned about the application of levies to specific entities—for example:

(a) a levy should be imposed on large charities registered with the Australian Charities and Not–for–profits Commission because they often have significant commercial activities;

(b) the levy for AFS licensees that provide personal advice should not apply to accountants with limited authorisations;

(c) a flat levy is inappropriate for insurance product distributors because large licensees and single member advisers pay the same levy;

(d) the levy for insurance product distributors should not apply to financial advisers who implement their advice about life risk insurance products;

(e) the metric for small securities exchange operators does not accurately reflect regulatory effort directed towards smaller operators in the subsector;

(f) it is inappropriate to apply a message-based metric for exchange-traded funds market makers; and

(g) the metric for calculating the levy for wholesale trustees includes double counting of total assets in certain circumstances.

387 One respondent recommended that our enforcement costs should be borne by the entity that is the subject of the enforcement action, rather than all the entities in the subsector. The respondent suggested that this approach would more closely align with a user-pays model. Another respondent suggested that ASIC should consider an alternative method to recover enforcement costs.

388 Some respondents raised concerns that the levies are calculated after the business activity has occurred and we have finalised our regulatory costs (i.e. ex-post). The respondents were concerned about their ability to budget for the levy and finalise accruals for financial reporting. Registered liquidators also raised concerns about the impact on creditors. In most cases the levy included in liquidators’ costs will be based on an estimated levy and will be overstated if the estimated levy is greater than the actual levy.

389 One respondent raised concerns about the impact of the industry funding model on the number of registered liquidators. The respondent suggested that the industry funding model had impacted on the competitive operation of the market. One respondent also queried the rationale for imposing the costs of regulation on registered liquidators. The respondent argued that

registered liquidators are required to do certain work for the benefit of ASIC and are required to finalise a liquidation even if they are unable to recover their fees.

ASIC's response

The Australian Government has undertaken extensive consultation to develop and refine the industry funding model: see paragraphs 65–66.

The industry funding model is now prescribed in a number of Acts and regulations: see paragraph 64. Amendments to the model are a matter for Government policy and will require legislative change.

This CRIS is focused on how ASIC will implement the industry funding model for our regulatory activities. However, from time to time, ASIC and the Australian Government will review the operation of the industry funding model and make amendments to the model (e.g. see paragraphs 38–60). The submissions we have received on the CRIS will help inform this process.

Allocation of budgeted costs to subsectors and regulatory activities

390 Some respondents queried our allocation of budgeted costs to different subsectors and regulatory activities. For example, one respondent noted that the allocation of budgeted costs on education and guidance is a small fraction of the amount spent on enforcement and surveillance. The respondent suggested that an increased focus on education and guidance would result in less need for enforcement activity.

391 One respondent suggested that the allocation of regulatory costs to the registered liquidators subsector was disproportionate when compared to the regulatory costs allocated to registered company auditors.

ASIC response

These concerns relate to our allocation of limited resources to achieve our vision for a fair, strong and efficient financial system for all Australians.

ASIC is an independent agency and continued confidence in the regulatory framework requires that we exercise, and are seen to exercise, independent judgement about the application of the regulatory framework to individual circumstances. ASIC's Commissioners set our vision and mission statements. They are responsible for ASIC's strategic planning framework and process.

Our strategic planning framework includes a 'threat, harm and behaviour' framework to identify, describe and prioritise actual and potential harms that need to be addressed. This framework supports how we plan our regulatory action and allocate our regulatory costs across different subsectors and different regulatory tools. *ASIC's Corporate Plan 2018–22: Focus 2018–19* sets out our strategic priorities and actions for 2018–19.

The regulatory costs allocated to auditors are split between two subsectors: auditors of disclosing entities and registered company auditors. All the regulatory costs for registered liquidators are allocated to the registered liquidators subsector.

Most of ASIC's regulatory effort in relation to auditors is focused on our audit inspection program, which involves the review of audits of listed entities and quality controls. These costs are recovered by a levy on audit firms based on a firm's share of the total audit fees for listed entities. The costs are not recovered directly from the individual registered company auditors in a firm.

The levy on individual registered company auditors covers enforcement actions and audits of unlisted entities. ASIC's costs for this subsector are smaller and spread across about 4,400 registered company auditors.

We allocate more resources to the regulation of audit firms that audit publicly listed entities in our inspection program because poor audit practices within these firms present a larger risk to the broader operation of Australia's financial markets. Inspections can also lead to enforcement action.

Allocation of overheads to registered liquidators subsector

392 Two respondents raised concerns about the transparency of the allocation of overheads to the registered liquidators subsector. The respondents suggested that the allocation of expenditure on IT costs is relatively high. One respondent observed that registered liquidators are required to make lodgements and file many documents. This increases activity volumes and takes up storage capacity, which then, seemingly, increases the proportion of IT costs allocated to the registered liquidators subsector.

ASIC's response

The registered liquidators subsector has been allocated $902,764 (approximately 3%) of total IT support costs of $27.1 million. This cost allocation reflects the total FTE staff in the Registered Liquidators team. The IT costs allocated to the registered liquidators subsector based on the lodgement and storage of documents are not significant.

Number of leviable entities in registered liquidators subsector

393 Two respondents observed that the number of registered liquidators used to calculate the indicative levies for the registered liquidators subsector does not reconcile with the number of registered liquidators reported by ASIC as at 30 June 2018.

ASIC's response

We have amended Table 14 to update the number of registered liquidators in the subsector to 673. The updated figure represents our best estimate of the number of people who will be registered liquidators during the financial year ended 30 June 2019.

Increased funding for ASIC

394 In March 2019, the Australian Government announced additional funding for ASIC to support:

(a) an accelerated enforcement strategy;

(b) expanded regulation of financial services in accordance with the recommendations of the Royal Commission—specifically, in relation to credit, financial advice and insurance;

(c) enhanced on-site supervision of larger institutions;

(d) ASIC's expanded role as the primary conduct regulator for superannuation; and

(e) ASIC's new role in administering a conduct-focused accountability regime.

Note: See the Hon. Josh Frydenberg MP, Treasurer, *Record funding and resources for ASIC and APRA to help restore trust in Australia's financial sector*, media release, 23 March 2019.

395 One respondent queried how this additional funding will impact on the levies under the industry funding model.

ASIC's response

The additional funding for ASIC announced in March 2019 will be provided over a four-year period commencing in 2019–20. The budgeted costs in this CRIS relate to our 2018–19 budget, which is not affected by the additional funding. Future versions of the CRIS will reflect the increased funding once appropriated and the amount that will be recovered in each subsector in the relevant period.

Stakeholder consultation on industry funding levies

396 The Australian Government led the consultation with industry to refine and settle the industry funding model: see paragraph 65. More recently, the Government conducted public consultation on amendments to the Cost Recovery Levy Regulations in April 2018 and again in January 2019.

397 We set out the key changes made to the Cost Recovery Levy Regulations since the release of the industry levies CRIS at paragraphs 38–60.

Stakeholder consultation on the fees-for-service model

398 The Australian Government also led the consultation with industry to refine and settle the fees-for-service model.

399 In August 2015, the Government released the consultation paper, *Proposed industry funding model for the Australian Securities and Investments Commission*. Treasury also held a number of stakeholder meetings and roundtables to refine aspects of the model. To address feedback received, the implementation of the fees-for-service proposal was delayed to allow time to refine the model by gathering further data to support the pricing of fees.

400 In November 2017, the Government released the consultation paper, *Introduction of Australian Securities and Investments Commission's fees-for-service under the industry funding model*. The consultation paper contained a revised model for fees for service, reflecting feedback from the previous consultation, including:

(a) the introduction of a tiered fee system for many activities, so that the amount of the fee more accurately reflects the complexity of the activity; and

(b) the removal of fees for novel relief applications, recognising the industry-wide benefits that often result from these activities.

401 In April 2018, the Government consulted on the exposure draft legislation to implement fees for service: see paragraph 354. On 22 January 2019, the Government released the exposure draft of the Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 for consultation. We set out the new fees for service under these regulations in paragraphs 342–351.

Q Financial and non-financial performance

Key points

This section sets out the variance between actual costs incurred in 2017–18 and our estimates in the industry levies CRIS. We explain any material variance by subsector.

We measure how well ASIC is performing by evaluating the outcomes we achieve against a number of benchmarks, which include qualitative and quantitative measures of our performance.

We publish a number of reports to provide greater transparency and understanding of our regulatory and fees-for-service activities.

Financial estimates

Industry funding levies

402 In 2018–19, $273 million of our regulatory activities are expected to be recovered through levies on industry, including $251,146 that was recognised as revenue in 2017–18 but not recovered in 2017–18 for small futures exchange operators: see Table 33. We anticipate that our regulatory costs will fall to $272.2 million in 2019–20.

Table 74: Estimated and actual expenses, revenue, balances and cumulative balances

Figure type	Estimates for 2017–18	Actual figure for 2017–18	Estimates for 2018–19	Estimates for 2019–20	Estimates for 2020–21
Expenses	$246.4m	$236.6m	$272.0m	$272.2m	$232.6m
Revenue	$246.4m	$236.2m	$272.8m	$272.2m	$232.6m
Balance (revenue minus expenses)	Nil	($0.4m)	$0.4m	Nil	Nil
Cumulative balance	Nil	($0.4m)	$0.0m	Nil	Nil

Note 1: The estimate for 2017–18 includes $7.5m to regulate small proprietary companies. These costs are not recovered under industry funding levies and are not included in the actual figure for 2017–18 or for forward estimate years.

Note 2: The $0.4m balance carried forward from 2017–18 to 2018–19 represents 2017–18 costs that were not recovered from deregistered companies. This amount is carried forward in accordance with s10(6)(b) of the Cost Recovery Levy Act.

Variance analysis by industry sector

403 Table 75 sets out the actual expenses we incurred in 2017–18 for each sector and subsector and the variance between our estimates in the industry levies CRIS and actual expenses. Where there is a material variance between the actual result and the original estimate, we have provided a breakdown of the regulatory activities for the subsector: see Table 76–Table 85.

Table 75: Variance in total regulatory costs recoverable through levies in 2017–18 by industry sector and subsector

All industry sectors

Sector	Actual cost	Estimated cost	Variance
Corporate sector	$70.697m	$65.184m	$5.513m
Deposit taking and credit sector	$35.077m	$32.047m	$3.030m
Investment management, superannuation and related services sector	$44.743m	$39.108m	$5.635m
Market infrastructure and intermediaries sector	$43.445m	$58.947m	($15.502m)
Financial advice sector	$28.260m	$29.511m	($1.251m)
Insurance sector	$14.361m	$14.121m	$0.240m
Total regulatory costs recovered through levies	**$236.583m**	**$238.918m**	**($2.335m)**

Corporate sector

Subsector	Actual cost	Estimated cost	Variance
Listed corporations	$50.415m	$33.959m	$16.456m
Unlisted public companies	$2.341m	$7.440m	($5.099m)
Large proprietary companies	$4.473m	$7.573m	($3.100m)
Auditors of disclosing entities	$5.666m	$5.003m	$0.663m
Registered company auditors	$0.929m	$1.013m	($0.084m)
Registered liquidators	$6.870m	$10.196m	($3.326m)
Total	**$70.697m**	**$65.184m**	**$5.513m**

Note: The estimated costs in this table differ from those given in the industry levies CRIS because they do not include $7.5m to regulate small proprietary companies. These costs are not recovered under industry funding levies: see paragraphs 108–109.

Deposit taking and credit sector

Subsector	Actual cost	Estimated cost	Variance
Credit providers	$24.124m	$17.861m	$6.263m
Small amount credit providers	$1.296m	$1.485m	($0.189m)
Credit intermediaries	$5.740m	$9.008m	($3.268m)
Deposit product providers	$3.114m	$1.911m	$1.203m
Payment product providers	$0.655m	$1.485m	($0.830m)
Margin lenders	$0.148m	$0.297m	($0.149m)
Total	**$35.077m**	**$32.047m**	**$3.030m**

Investment management, superannuation and related services sector

Subsector	Actual cost	Estimated cost	Variance
Superannuation trustees	$9.593m	$7.197m	$2.396m
Responsible entities	$22.770m	$22.677m	$0.093m
Wholesale trustees	$9.380m	$6.603m	$2.777m
Custodians	$0.741m	$0.423m	$0.318m
Investor directed portfolio services operators	$1.222m	$1.603m	($0.381m)
Managed discretionary account providers	$0.742m	$0.258m	$0.484m
Traditional trustee company service providers	$0.297m	$0.347m	($0.050m)
Total	**$44.743m**	**$39.108m**	**$5.635m**

Market infrastructure and intermediaries sector

Subsector	Actual cost	Estimated cost	Variance
Large securities exchange operators	$3.801m	$3.757m	$0.044m
Large futures exchange operators	$1.436m	$1.431m	$0.005m
Small futures exchange operators	$0.251m	$0.250m	$0.001m
Small securities exchange operators with self-listing function only	$0.024m	$0.023m	$0.001m
Small securities exchange operators	$0.536m	$0.629m	($0.093m)
Small derivatives market operators	$0.480m	$0.475m	($0.005m)
Overseas market operators	$0.519m	$0.538m	($0.019m)

Subsector	Actual cost	Estimated cost	Variance
Exempt CS facility operators	$0.016m	$0.024m	($0.008m)
Tier 1 CS facility operators	$1.614m	$1.742m	($0.128m)
Tier 2 CS facility operators	$0.192m	$0.200m	($0.008m)
Tier 3 CS facility operators	$0.072m	$0.080m	($0.008m)
Tier 4 CS facility operators	$0.016m	$0.023m	($0.007m)
Australian derivative trade repository operators	$0.240m	$0.241m	($0.001m)
Exempt market operators	$1.135m	$1.234m	($0.099m)
Credit rating agencies	$0.232m	$0.239m	($0.007m)
Large securities exchange participants	$14.725m	$19.039m	($4.314m)
Large futures exchange participants	$3.321m	$5.684m	($2.363m)
Securities dealers	$1.483m	$1.627m	($0.144m)
Corporate advisers	$4.767m	$5.568m	($0.801m)
OTC traders	$3.846m	$13.075m	($9.229m)
Retail OTC derivatives issuers	$4.631m	$2.791m	$1.840m
Wholesale electricity dealers	$0.110m	$0.277m	($0.167m)
Total	**$43.445m**	**$58.947m**	**($15.502m)**

Financial advice sector

Subsector	Actual cost	Estimated cost	Variance
Licensees that provide personal advice to retail clients on relevant financial products	$25.634m	$26.152m	($0.518m)
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$1.199m	$0.462m	$0.737m
Licensees that provide general advice only	$0.601m	$2.023m	($1.422m)
Licensees that provide personal advice to wholesale clients only	$0.826m	$0.874m	($0.048m)
Total	**$28.260m**	**$29.511m**	**($1.251m)**

Insurance sector

Subsector	Actual cost	Estimated cost	Variance
Insurance product providers	$13.132m	$11.448m	$1.684m
Insurance product distributors	$0.943m	$2.376m	($1.433m)
Risk management product providers	$0.286m	$0.297m	($0.011m)
Total	**$14.361m**	**$14.121m**	**$0.240m**

Variance analysis by regulatory activity

404 Table 76–Table 85 explain the variance between actual and estimated costs by regulatory activity for each of the subsectors with a material variance. A variance is considered material if the difference between the total actual costs and the estimated costs for the subsector are greater than 10% of the estimated costs and $2 million in total.

Listed corporations

405 Table 76 breaks down the difference between actual and estimated costs for each of our regulatory activities for the listed corporations subsector. The variance in actual costs of $16.5 million (48% increase) is primarily due to an underestimate of our enforcement activity ($9.4 million) and supervision and surveillance ($5.6 million), and associated increases in indirect costs, during 2017–18.

406 When we prepared the estimated costs for the subsector we could not predict with certainty the outcome of our focus during 2017–18 to proactively identify and mitigate harms to consumers, investors and markets. We strive to be strategic and agile so that we can respond rapidly to challenges as they arise. When we identify a potential breach of the law or a potential harm during the financial year we will determine the most appropriate response which may include supervision and surveillance and enforcement action.

407 The increase in supervision and surveillance costs is attributable in part to an increase in supervision and surveillance activity in relation to listed entities and an increase in reports of misconduct received by ASIC.

408 The above increases are partly offset by a $7.5 million increase in ASIC-sourced revenue. Since the release of the estimated costs in the industry levies CRIS, our regulatory costs for listed corporations has been adjusted to reflect the recovery of court awarded costs. This item largely relates to the Federal Court order that the Australia and New Zealand Banking Group and National Australia Bank pay ASIC’s costs of and incidental to the proceedings relating to unconscionable conduct in connection with the

supply of financial services in relation to the setting of the bank bill swap rate (BBSW).

Table 76: Analysis for subsectors with a material variance—Listed corporations

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$1.025m	$0.828m	$0.197m
Education	$0.199m	$0.023m	$0.176m
Guidance	$0.549m	$0.379m	$0.170m
Supervision and surveillance	$8.745m	$3.143m	$5.602m
Enforcement	$24.328m	$14.892m	$9.436m
Policy advice	$0.345m	$0.292m	$0.053m
Financial capability work	Nil	Nil	Nil
Governance, central strategy and policy, and central legal functions	$3.944m	$2.292m	$1.652m
IT support	$5.303m	$3.584m	$1.719m
Operations support	$2.600m	$1.643m	$0.957m
Property and corporate services	$7.270m	$4.692m	$2.578m
Total operating costs	*$54.307m*	*$31.768m*	*$22.539m*
Adjustment for capital expenditure allowance	*$2.941m*	*$1.821m*	*$1.120m*
Adjustment for ASIC-sourced revenue	*($7.937m)*	*($0.432m)*	*($7.505m)*
Adjustment for market competition cost recovery	*$0.658m*	*$0.658m*	Nil
Adjustment for new policy measures	*$0.446m*	*$0.144m*	*$0.302m*
Total budgeted costs to be recovered by levy	**$50.415m**	**$33.959m**	**$16.456m**

Unlisted public companies

409 The actual costs for the unlisted public companies subsector was less than our estimated costs by $5.1 million (69% decrease). This variance is primarily attributable to lower than expected enforcement costs during 2017–18 ($3.0 million) and associated decreases in indirect costs and capital expenditure. Our estimated costs represent our best estimate of enforcement costs during the year. We cannot prevent changes in the regulatory and market landscape during the year that dictate the focus of our enforcement activities.

Table 77: Analysis for subsectors with a material variance—Unlisted public companies

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.038m	$0.091m	($0.053m)
Education	$0.016m	$0.004m	$0.012m
Guidance	$0.030m	$0.064m	($0.034m)
Supervision and surveillance	$0.206m	$0.263m	($0.057m)
Enforcement	$0.400m	$3.401m	($3.001m)
Policy advice	$0.023m	$0.042m	($0.019m)
Financial capability work	Nil	Nil	Nil
Governance, central strategy and policy, and central legal functions	$0.115m	$0.524m	($0.409m)
IT support	$0.161m	$0.749m	($0.588m)
Operations support	$0.064m	$0.338m	($0.274m)
Property and corporate services	$0.237m	$0.991m	($0.754m)
Total operating costs	*$1.292m*	*$6.467m*	*($5.175m)*
Adjustment for capital expenditure allowance	*$0.192m*	*$0.356m*	*($0.164m)*
Adjustment for ASIC-sourced revenue	*($0.107m)*	*($0.060m)*	*($0.047m)*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$0.965m*	*$0.677m*	*$0.288m*
Total budgeted costs to be recovered by levy	**$2.341m**	**$7.440m**	**($5.099m)**

Large proprietary companies

410 The actual costs for the large proprietary companies subsector was less than our estimated costs by $3.1 million (41% decrease). The decrease in actual costs compared to estimated costs is primarily attributable to lower than expected enforcement activity in the subsector during the year ($2.0 million) and associated decreases in indirect costs and capital expenditure. Our forecast of enforcement activity in the subsector will vary according to the market and regulatory landscape and whether we identify a potential breach of the law or a potential harm during the financial year.

Table 78: Analysis for subsectors with a material variance—Large proprietary companies

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.035m	$0.025m	$0.010m
Education	$0.019m	$0.002m	$0.017m
Guidance	$0.026m	$0.019m	$0.007m
Supervision and surveillance	$0.176m	$0.167m	$0.009m
Enforcement	$2.071m	$4.023m	($1.952m)
Policy advice	$0.019m	$0.017m	$0.002m
Financial capability work	Nil	Nil	Nil
Governance, central strategy and policy, and central legal functions	$0.439m	$0.658m	($0.219m)
IT support	$0.477m	$0.816m	($0.339m)
Operations support	$0.231m	$0.410m	($0.179m)
Property and corporate services	$0.686m	$1.107m	($0.421m)
Total operating costs	*$4.179m*	*$7.244m*	*($3.065m)*
Adjustment for capital expenditure allowance	*$0.326m*	*$0.344m*	*($0.018m)*
Adjustment for ASIC-sourced revenue	*($0.052m)*	*($0.022m)*	*($0.030m)*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$0.020m*	*$0.008m*	*$0.012m*
Total budgeted costs to be recovered by levy	**$4.473m**	**$7.574m**	**($3.101m)**

Registered liquidators

411 The actual costs for the subsector was less than our expected costs by $3.3 million (33% decrease). The variance in actual costs is primarily attributable to:

(a) a decrease in expected enforcement activity. The estimated costs were calculated on a historical basis and did not reflect the change from the historical Companies and Liquidators Disciplinary Board and court actions to the new insolvency practitioners disciplinary committees. Further, court decisions that are currently pending were budgeted for in 2017–18 but were not incurred;

(b) a change in regulatory focus. A reduction in direct regulatory effort directed at the insolvency practitioners subsector driven by a record high number of Assetless Administration Fund applications in 2017–18. These applications lead to increased cost allocations to other subsectors in the corporate sector; and

(c) a decrease in indirect costs and capital expenditure due to the above.

Table 79: Analysis for subsectors with a material variance—Registered liquidators

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.244m	$0.150m	$0.094m
Education	$0.160m	$0.037m	$0.123m
Guidance	$0.134m	$0.198m	($0.064m)
Supervision and surveillance	$0.983m	$1.094m	($0.111m)
Enforcement	$1.935m	$3.666m	($1.731m)
Policy advice	$0.076m	$0.162m	($0.086m)
Financial capability work	Nil	Nil	Nil
Governance, central strategy and policy, and central legal functions	$0.595m	$0.878m	($0.283m)
IT support	$0.871m	$1.292m	($0.421m)
Operations support	$0.426m	$0.631m	($0.205m)
Property and corporate services	$1.089m	$1.622m	($0.533m)
Total operating costs	*$6.515m*	*$9.730m*	*($3.215m)*
Adjustment for capital expenditure allowance	*$0.605m*	*$0.594m*	*$0.011m*
Adjustment for ASIC-sourced revenue	*($0.362m)*	*($0.192m)*	*($0.170m)*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$0.113m*	*$0.064m*	*$0.049m*
Total budgeted costs to be recovered by levy	**$6.870m**	**$10.196m**	**($3.326m)**

Credit providers

412 The actual costs for the subsector were greater than estimated costs by $6.3 million (35% increase). This increase was primarily attributable to additional regulatory effort associated with large thematic projects relating to consumer credit (e.g. credit cards and reverse mortgages) and the early rounds of hearings of the Royal Commission (which focused on consumer credit issues). Our additional costs for the Royal Commission are to be recovered from stakeholders, including credit providers.

Table 80: Analysis for subsectors with a material variance—Credit providers

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.384m	$0.428m	($0.044m)
Education	$0.180m	$0.044m	$0.136m
Guidance	$0.104m	$0.073m	$0.031m
Supervision and surveillance	$3.775m	$2.513m	$1.262m
Enforcement	$4.652m	$4.206m	$0.446m
Policy advice	$0.230m	$0.180m	$0.050m
Financial capability work	$1.967m	$1.780m	$0.187m
Governance, central strategy and policy, and central legal functions	$2.158m	$1.599m	$0.559m
IT support	$2.676m	$2.240m	$0.436m
Operations support	$1.291m	$1.075m	$0.216m
Property and corporate services	$3.554m	$2.933m	$0.621m
Total operating costs	*$20.971m*	*$17.071m*	*$3.900m*
Adjustment for capital expenditure allowance	*$1.854m*	*$1.065m*	*$0.789m*
Adjustment for ASIC-sourced revenue	*($0.807m)*	*($0.412m)*	*($0.395m)*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$2.106m*	*$0.137m*	*$1.969m*
Total budgeted costs to be recovered by levy	**$24.124m**	**$17.861m**	**$6.263m**

Credit intermediaries

413 The actual costs for the subsector were less than our estimated costs by $3.3 million (36% decrease), reflecting a relative change in regulatory focus to issues in other subsectors like credit providers and insurers.

Table 81: Analysis for subsectors with a material variance—Credit intermediaries

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.078m	$0.176m	($0.098m)
Education	$0.037m	$0.018m	$0.019m
Guidance	$0.021m	$0.030m	($0.009m)
Supervision and surveillance	$0.774m	$1.036m	($0.262m)
Enforcement	$1.512m	$2.700m	($1.188m)
Policy advice	$0.047m	$0.074m	($0.027m)
Financial capability work	$0.402m	$0.730m	($0.328m)
Governance, central strategy and policy, and central legal functions	$0.556m	$0.794m	($0.238m)
IT support	$0.660m	$1.091m	($0.431m)
Operations support	$0.323m	$0.530m	($0.207m)
Property and corporate services	$0.889m	$1.434m	($0.545m)
Total operating costs	*$5.301m*	*$8.613m*	*($3.312m)*
Adjustment for capital expenditure allowance	*$0.365m*	*$0.506m*	*($0.141m)*
Adjustment for ASIC-sourced revenue	*($0.164m)*	*($0.169m)*	*$0.005m*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$0.238m*	*$0.056m*	*$0.182m*
Total budgeted costs to be recovered by levy	**$5.740m**	**$9.006m**	**($3.266m)**

Superannuation trustees

414 The actual costs for the subsector were greater than our estimated costs by $2.4 million (33%). The variance is primarily attributable to greater than expected enforcement and ESA costs during the year, which in turn contributed to higher indirect and capital expenditure costs levied against the subsector.

Table 82: Analysis for subsectors with a material variance—Superannuation trustees

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.081m	$0.085m	($0.004m)
Education	$0.044m	$0.010m	$0.034m
Guidance	$0.231m	$0.390m	($0.159m)
Supervision and surveillance	$1.480m	$1.125m	$0.355m
Enforcement	$2.166m	$1.117m	$1.049m
Policy advice	$0.189m	$0.337m	($0.148m)
Financial capability work	$0.793m	$0.707m	$0.086m
Governance, central strategy and policy, and central legal functions	$0.701m	$0.466m	$0.235m
IT support	$1.114m	$0.852m	$0.262m
Operations support	$0.547m	$0.413m	$0.134m
Property and corporate services	$1.470m	$1.112m	$0.358m
Total operating costs	*$8.816m*	*$6.614m*	*$2.202m*
Adjustment for capital expenditure allowance	*$0.736m*	*$0.477m*	*$0.259m*
Adjustment for ASIC-sourced revenue	*($0.341m)*	*($0.170m)*	*($0.171m)*
Adjustment for market competition cost recovery	*$0.219m*	*$0.219m*	Nil
Adjustment for new policy measures	*$0.162m*	*$0.057m*	*$0.105m*
Total budgeted costs to be recovered by levy	**$9.593m**	**$7.197m**	**$2.396m**

Wholesale trustees

415 The actual costs for the subsector were greater than our estimated costs by $2.8 million (42% increase). The increase is primarily attributable to greater than expected enforcement and ESA costs during the year which in turn contributed to higher indirect and capital expenditure costs levied against the subsector.

Table 83: Analysis for subsectors with a material variance—Wholesale trustees

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.008m	$0.009m	($0.001m)
Education	$0.007m	$0.001m	$0.006m
Guidance	$0.024m	$0.035m	($0.011m)
Supervision and surveillance	$0.166m	$0.118m	$0.048m
Enforcement	$5.108m	$3.308m	$1.800m
Policy advice	$0.019m	$0.030m	($0.011m)
Financial capability work	$0.081m	$0.077m	$0.004m
Governance, central strategy and policy, and central legal functions	$0.780m	$0.549m	$0.231m
IT support	$0.906m	$0.690m	$0.216m
Operations support	$0.473m	$0.353m	$0.120m
Property and corporate services	$1.237m	$0.934m	$0.303m
Total operating costs	*$8.809m*	*$6.104m*	*$2.705m*
Adjustment for capital expenditure allowance	*$0.369m*	*$0.292m*	*$0.077m*
Adjustment for ASIC-sourced revenue	*($0.030m)*	*($0.018m)*	*($0.012m)*
Adjustment for market competition cost recovery	*$0.220m*	*$0.219m*	Nil
Adjustment for new policy measures	*$0.012m*	*$0.006m*	*$0.006m*
Total budgeted costs to be recovered by levy	**$9.380m**	**$6.603m**	**$2.777m**

Large securities exchange participants

416 The actual costs for the subsector were less than our estimated costs by $4.3 million (23% decrease). The decrease is primarily attributable to a change in regulatory focus with less than budgeted enforcement and supervision and surveillance activities.

417 We continued our oversight of the conduct of market participants, while intensifying our strategic focus on the wholesale OTC sector—primarily fixed income, currencies and commodities (FICC) markets. As a result, the direct costs allocated to the large securities exchange participants subsector decreased, as did the associated indirect costs.

Table 84: Analysis for subsectors with a material variance—Large securities exchange participants

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$1.281m	$1.598m	($0.317m)
Education	$0.066m	$0.044m	$0.022m
Guidance	$0.517m	$0.437m	$0.080m
Supervision and surveillance	$3.689m	$4.808m	($1.119m)
Enforcement	$1.562m	$2.647m	($1.085m)
Policy advice	$0.134m	$0.291m	($0.157m)
Financial capability work	Nil	$0.023m	($0.023m)
Governance, central strategy and policy, and central legal functions	$0.883m	$1.073m	($0.190m)
IT support	$1.423m	$1.910m	($0.487m)
Operations support	$0.730m	$0.970m	($0.240m)
Property and corporate services	$1.924m	$2.490m	($0.566m)
Total operating costs	*$12.208m*	*$16.291m*	*($4.083m)*
Adjustment for capital expenditure allowance	*$1.001m*	*$1.181m*	*($0.180m)*
Adjustment for ASIC-sourced revenue	*($0.626m)*	*($0.492m)*	*($0.134m)*
Adjustment for market competition cost recovery	*$1.895m*	*$1.895m*	Nil
Adjustment for new policy measures	*$0.246m*	*$0.164m*	*$0.082m*
Total budgeted costs to be recovered by levy	**$14.725m**	**$19.039m**	**($4.314m)**

OTC traders

418 The actual costs for the subsector were less than estimated costs by $9.2 million (71% decrease). The variance is primarily attributable to a decrease in enforcement costs during the year. The estimated costs for the OTC trader subsector included enforcement costs for the BBSW matters, which were not included in the actual costs. As a result, the indirect costs allocated to the OTC trader subsector are also lower. The decrease in enforcement costs was partially offset by increased costs as we increase our focus on FICC markets.

Table 85: Analysis for subsectors with a material variance—OTC traders

Expense	Actual cost	Estimated cost	Variance
Industry engagement	$0.355m	$0.298m	$0.057m
Education	$0.018m	$0.008m	$0.010m
Guidance	$0.142m	$0.081m	$0.061m
Supervision and surveillance	$1.086m	$0.899m	$0.187m
Enforcement	$0.684m	$8.565m	($7.881m)
Policy advice	$0.052m	$0.049m	$0.003m
Financial capability work	Nil	Nil	Nil
Governance, central strategy and policy, and central legal functions	$0.211m	$0.264m	($0.053m)
IT support	$0.397m	$0.945m	($0.548m)
Operations support	$0.206m	$0.526m	($0.320m)
Property and corporate services	$0.518m	$1.027m	($0.509m)
Total operating costs	*$3.668m*	*$12.662m*	*($8.994m)*
Adjustment for capital expenditure allowance	*$0.289m*	*$0.473m*	*($0.184m)*
Adjustment for ASIC-sourced revenue	*($0.184m)*	*($0.088m)*	*($0.096m)*
Adjustment for market competition cost recovery	*N/A*	*N/A*	*N/A*
Adjustment for new policy measures	*$0.073m*	*$0.029m*	*$0.044m*
Total budgeted costs to be recovered by levy	**$3.846m**	**$13.076m**	**($9.230m)**

Annual dashboard

419 To increase the transparency of our expenditure, we publish the annual dashboard report. The annual dashboard report discloses information about our regulatory costs for the previous financial year.

420 Appendix 1 sets out the annual dashboard report for 2017–18. Table 89 shows, for each sector, how we have apportioned our costs in 2017–18 by the type of activity undertaken and the expenses incurred. Table 90 sets out our total regulatory costs in relation to leviable entities, and how we have apportioned those costs across each industry sector and subsector.

Fees for service

421 We estimate that approximately $20.6 million of our regulatory costs will be recovered each year under the fees-for-service model, based on historic volumes of applications.

Table 86: Estimated and actual expenses, revenue and variances

Figure type	Estimates for 2018–19	Actual figures for 2018–19	Estimates for 2019–20	Estimates for 2020–21	Estimates for 2021–22
Expenses	$20.6m	Not available	$20.6m	$20.6m	$20.6m
Revenue	$20.6m	Not available	$20.6m	$20.6m	$20.6m
Variance (revenue minus expenses)	Nil	Not available	Nil	Nil	Nil

Note: Please see Section O for a discussion of the risk that the fees for service will not match our actual regulatory costs.

422 In future years, this CRIS will provide updated information on financial estimates for the current and three forward years as well as the actual expenses we incurred. We will explain any material variation between the actual costs of undertaking the activities and the revenue from fees charged.

423 We will continue to report our performance against our service charter targets in the annual performance statements we publish in our annual report.

Financial performance

424 The first invoices for industry funding levies were issued in January 2019. In future years, the CRIS will provide information about the recovery of regulatory costs for the financial year and the amount of any excess or shortfall in the recovery of our costs in relation to that financial year.

Balance management strategy

425 Our balance management strategy is set out in the Cost Recovery Levy Act. This ensures that our balance management strategy is transparent and equitable. In allocating our regulatory costs we must reduce our regulatory costs by the amount of an excess levy paid in relation to the previous financial year. Similarly, where there has been a shortfall in the recovery of our costs in relation to the previous financial year, we must increase our regulatory costs by the shortfall. We must attribute any excess or shortfall to the subsectors in which the excess or shortfall previously arose.

Non-financial performance

Industry levies

426 There are a number of ways in which ASIC provides information on the non-financial performance of our regulatory activities.

Corporate plan

427 We published our *Corporate Plan 2018–22: Focus 2018–19* in September 2018. The corporate plan outlines our updated vision, mission and our strategic plan to achieve them.

428 The corporate plan includes a specific section, *Measuring and evaluating our performance*, which sets out the outcomes we will use to measure our performance and the evidence of those outcomes.

Annual report

429 Our Annual Report 2017–18 was released in October 2018. The report is a record of ASIC's activities and performance in 2017–18. We publish an annual performance statement as part of our annual report each year, in compliance with s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013*. This outlines how we have performed over the last financial year, using the performance indicators outlined in the corporate plan.

Regulator Performance Framework

430 The Regulator Performance Framework was introduced by the Australian Government in 2015. It establishes key performance indicators to assess how Commonwealth regulators operate to minimise the regulatory burden in the course of conducting their other activities.

431 We published our self-assessment under the Regulator Performance Framework for 2016–17 in January 2018: see Report 561 *Regulator Performance Framework: ASIC self-assessment 2016–17* (REP 561).

ASIC service charter

432 The *ASIC service charter* covers the most common interactions we have with our stakeholders and sets performance targets for these. In the annual report we set out our performance against the key measures outlined in the service charter.

Fees for service

433 We provide information on the non-financial performance of the fees-for-service activities on an ongoing basis. There are two key mechanisms that will enable stakeholders to evaluate whether outputs have been produced and outcomes have been achieved:

(a) the review of the fee schedule every three years; and

(b) our reporting on fees-for-service activities.

Review of the fee schedules

434 Under the fees-for-service model, we will review our fees every three years. This ongoing assessment will ensure that the fees remain appropriate and provide an incentive to deliver our services at the most efficient cost. The review may need to occur earlier if there is:

(a) a change to the work required to provide a particular fees-for-service activity; or

(b) a material variation in the cost of delivering the activity and the fee charged.

435 Any amendments to Sch 1 to the Fees Regulations will require consultation, in accordance with the Australian Government's legislative consultation process.

Other accountability measures

436 Under the cost recovery guidelines, meeting the principle of transparency and accountability involves reporting on performance for the activity on an ongoing basis. Access to information about our fees-for-service activities can help stakeholders determine whether our cost-recovered activities are being implemented efficiently and effectively.

ASIC service charter

437 We take all reasonable steps to deliver on our commitments in our *ASIC service charter*. The *ASIC service charter* sets out the most common interactions we have with our stakeholders and what our stakeholders can expect when they deal with ASIC. It explains how we respond to requests, including requests relating to our regulatory activities that will be recovered through fees for service, like applications for licences or relief from the law.

438 The *ASIC service charter* sets out our target timeframes for resolving matters. If we are unable to deal with an application or query within our target timeframe, we will:

(a) provide an interim response to inform you of our progress;

(b) review the progress of your matter and prioritise its resolution as quickly as possible; and

(c) where necessary, escalate your matter for consideration and decision by the appropriate decision-making body within ASIC.

439 We will continue to review our service standards and the *ASIC service charter* and report on our service charter results.

Reports on our fees-for-service activities

440 We publish a number of reports to provide greater transparency and understanding of our fees-for-service activities. For example:

(a) *licensing and professional registration*—we publish an annual report on our licensing and professional registration activities. The report provides greater transparency about our AFS licensing, credit licensing and professional registration assessment and decision-making processes and outcomes, and the risks we identified as part of those processes. Our most recent report is Report 611 *Overview of licensing and professional registration applications: July 2017 to June 2018* (REP 611);

(b) *compliance review of documents*—we publish a six-monthly report on our corporate finance regulation activities. The report highlights and discusses key statistical information, observations and our work in the regulation and oversight of fundraising, mergers and acquisitions transactions, corporate governance, and other general corporate finance areas. Our most recent report is Report 612 *ASIC regulation of corporate finance: July to December 2018* (REP 612); and

(c) *assessment of applications for relief*—we publish a report that gives an overview of our decisions on relief applications. The report outlines some of our decisions where we have exercised, or refused to exercise, ASIC’s exemption and modification powers from the financial reporting, managed investment, takeovers, fundraising or financial services provisions of the Corporations Act and the National Credit Act. Our most recent report is Report 602 *Overview of decisions on relief applications (April to September 2018)* (REP 602).

R Key events and dates

Key points

This section sets out an outline of the key events and estimated dates for industry funding.

Table 87: Key events and estimated dates

Key event	Date
We published on our website the annual dashboard report for 2017–18	January 2019
We sent invoices for 2017–18	January 2019
We published this CRIS for consultation including indicative levies and the annual dashboard report	March 2019
Invoices due for payment	March 2019
We published the final CRIS for 2018–19	June 2019
ASIC portal open for 2018–19 annual returns	July to September 2019
We publish the Corporate Plan for 2019–20 to 2022–23	August 2019
We publish our Annual Report 2018–19	October 2019
We publish a legislative instrument with business activity details	December 2019
We publish the 2019–20 CRIS for consultation	January 2020
We send invoices for 2018–19	January 2020
Consultation on fees for service	Every 3 years from June 2018, or earlier (if there is an unforeseen change or material variance in the cost and revenue)

S CRIS approval and change register

Key points

The table below shows approvals and changes pertaining to this CRIS.

Table 88: CRIS approval and change register

Date	Description	Approved by	Comments
31 May 2019	Certification of the CRIS	ASIC Chair	N/A
19 June 2019	Approval of the CRIS	Approved by the Assistant Treasurer and agreed for release by the Minister for Finance.	N/A

Appendix 1: Annual dashboard report

441 Under the ASIC Act we are required to publish an annual dashboard report each year, setting out information about our regulatory costs for the previous financial year. Table 89 and Table 90 comprise the annual dashboard report for 2017–18.

442 Table 89 shows how we have apportioned our regulatory costs in 2017–18 for each sector by the type of activity undertaken and the different kinds of expenses we have incurred.

Table 89: Total regulatory costs recoverable through levies in 2017–18 for each sector by regulatory activity

Expense	Corporate sector	Deposit taking and credit sector	Investment management, superannuation and related services sector	Market infrastructure and intermediaries sector	Financial advice sector	Insurance sector	All industry sectors
Industry engagement	$1.376m	$0.550m	$0.218m	$3.110m	$0.279m	$0.315m	$5.846m
Education	$0.396m	$0.258m	$0.121m	$0.159m	$0.191m	$0.146m	$1.270m
Guidance	$0.753m	$0.149m	$0.582m	$1.202m	$0.307m	$0.085m	$3.077m
Supervision and surveillance	$12.841m	$5.402m	$3.835m	$11.150m	$3.974m	$3.070m	$40.267m
Enforcement	$29.229m	$6.658m	$17.999m	$6.323m	$5.706m	$1.641m	$67.558m
Policy advice	$0.617m	$0.331m	$0.479m	$0.839m	$0.228m	$0.188m	$2.681m
Financial capability work	Nil	$2.814m	$2.028m	Nil	$1.253m	$1.604m	$7.699m
Governance, central strategy and policy and central legal functions	$5.583m	$3.078m	$3.293m	$2.880m	$3.649m	$1.260m	$19.742m
IT support	$7.642m	$3.822m	$4.654m	$4.441m	$3.258m	$1.706m	$25.523m
Operations support	$3.750m	$1.845m	$2.360m	$2.293m	$1.548m	$0.808m	$12.604m
Property and corporate services	$10.383m	$5.074m	$6.169m	$5.979m	$4.214m	$2.204m	$34.023m
Total operating costs	*$72.572m*	*$29.981m*	*$41.737m*	*$38.376m*	*$24.601m*	*$13.024m*	*$220.289m*
Adjustment for capital expenditure allowance	*$4.603m*	*$2.657m*	*$2.499m*	*$3.118m*	*$1.783m*	*$1.264m*	*$15.924m*

Expense	Corporate sector	Deposit taking and credit sector	Investment management, superannuation and related services sector	Market infrastructure and intermediaries sector	Financial advice sector	Insurance sector	All industry sectors
Adjustment for ASIC-sourced revenue	*($8.825m)*	*($1.155m)*	*($2.564m)*	*($1.856m)*	*($1.047m)*	*($0.664m)*	*($16,109m)*
Adjustment for market competition cost recovery	*$0.658m*	*N/A*	*$0.658m*	*$3.070m*	*N/A*	*N/A*	*$4.386m*
Adjustment for new policy measures	*$1.689m*	*$3.594m*	*$2.413m*	*$0.739m*	*$2.923m*	*$0.299m*	*$12.082m*
Total costs recoverable	**$70.697m**	**$35.077m**	**$44.743m**	**$43.446m**	**$28.260m**	**$14.361m**	**$236.583m**

443 Table 90 shows our total regulatory costs for 2017–18 and how we have apportioned those costs across each sector and subsector.

Table 90: Total regulatory costs recoverable through levies in 2017–18 by industry sector and subsector

All industry sectors

Sector	Cost
Corporate sector	$70.697m
Deposit taking and credit sector	$35.077m
Investment management, superannuation and related services	$44.743m
Market infrastructure and intermediaries sector	$43.446m
Financial advice sector	$28.260m
Insurance sector	$14.361m
Total	**$236.583m**

Corporate sector

Subsector	Cost
Listed corporations	$50.415m
Unlisted public companies	$2.341m
Large proprietary companies	$4.473m
Auditors of disclosing entities	$5.666m
Registered company auditors	$0.929m
Registered liquidators	$6.870m
Total	**$70.697m**

Deposit taking and credit sector

Subsector	Cost
Credit providers	$24.124m
Small amount credit providers	$1.296m
Credit intermediaries	$5.740m
Deposit product providers	$3.114m

Subsector	Cost
Payment product providers	$0.655m
Margin lenders	$0.148m
Total	**$35.077m**

Investment management, superannuation and related services sector

Subsector	Cost
Superannuation trustees	$9.593m
Responsible entities	$22.770m
Wholesale trustees	$9.380m
Custodians	$0.741m
Investor directed portfolio services operators	$1.222m
Managed discretionary account providers	$0.742m
Traditional trustee company service providers	$0.297m
Total	**$44.743m**

Market infrastructure and intermediaries sector

Subsector	Cost
Large securities exchange operators	$3.801m
Large futures exchange operators	$1.436m
Small futures exchange operators	$0.251m
Small securities exchange operators with self-listing function only	$0.024m
Small securities exchange operators	$0.536m
Small derivatives market operators	$0.480m
Overseas market operators	$0.519m
Exempt CS facility operators	$0.016m
Tier 1 CS facility operators	$1.614m
Tier 2 CS facility operators	$0.192m
Tier 3 CS facility operators	$0.072m
Tier 4 CS facility operators	$0.016m

Subsector	Cost
Australian derivative trade repository operators	$0.240m
Exempt market operators	$1.135m
Credit rating agencies	$0.232m
Large securities exchange participants	$14.725m
Large futures exchange participants	$3.321m
Securities dealers	$1.483m
Corporate advisers	$4.767m
OTC traders	$3.846m
Retail OTC derivatives issuers	$4.631m
Wholesale electricity dealers	$0.110m
Total	**$43.446m**

Financial advice sector

Subsector	Cost
Licensees that provide personal advice to retail clients on relevant financial products	$25.634m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$1.199m
Licensees that provide general advice only	$0.601m
Licensees that provide personal advice to wholesale clients only	$0.826m
Total	**$28.260m**

Insurance sector

Subsector	Cost
Insurance product providers	$13.132m
Insurance product distributors	$0.943m
Risk management product providers	$0.286m
Total	**$14.361m**

Appendix 2: Fees-for-service schedules

This appendix sets out the schedule for our flat fees for service (Table 91) and our tiered fees for service (Table 92).

Table 91: Flat fees for service for our regulatory activities

Form code	Form description	Fee
116	Scheme for transfer and amalgamation of life insurance business (includes s116A)—Scheme for transfer and amalgamation of general insurance business	$2,695
145	Application for registration of disclosure statement (demutualisation)	$2,695
517	Application for extension of time for dealing with formal proof of debt/claim	$156
568	Application for extension of time to lodge a declaration of solvency	$156
569	Application for extension of time to pass a resolution regarding voluntary winding up	$156
572	Application for direction that s532(6) does not apply	$156
575	Application to direct liquidators to incur expenses	$156
584	Application for the Commonwealth to exercise powers of defunct company	$934
595	Draft explanatory statement regarding compromise or arrangement Note: Fee includes Form 592 *Notice of hearing for scheme of arrangement*.	$5,290
671	Lodging a notice under paragraph 654C(3)(b) in relation to a bidder's voting power	No fee
675	Supplementary statement regarding takeover bid Note: Fee also applies to subforms 675A and 675B.	$802
752	Document lodged in relation to short form prospectus	$321
754B	Replacement prospectus for equities Note: Fee also applies to subforms 754BA and 754BB.	$802
754E	Replacement offer information statement Note: Fee also applies to subforms 754EA and 754EB.	$321
754F	Replacement profile statement Note: Fee also applies to subforms 754FA and 754FB.	$321
754G	Replacement short form prospectus for equities Note: Fee also applies to subforms 754GA and 754GB.	$802

Form code	Form description	Fee
764B	Prospectus for equities Note: Fee also applies to subforms 764BA and 764BB.	$3,206
764E	Offer information statement Note: Fee also applies to subforms 764EA and 764EB.	$1,924
764F	Profile statement Note: Fee also applies to subforms 764FA and 764FB.	$1,924
764G	Short form prospectus for equities	$3,206
764K	PDS lodgement	$1,993
766B	Supplementary disclosure document for equities	$802
771	Permission to act as a debenture trustee	$16,030
875	Offer document—Mutual recognition scheme Note: Same as Form N/A7.	$321
876	Supplementary or replacement document—Mutual recognition Note: Same as Form N/A8	$160
877	Change to offer document—Mutual recognition scheme	$160
903AA and 903AC	Application for registration as an auditor	$338
903AB and 903AD	Application for registration as an authorised audit company	$3,429
903B	Application for registration as a liquidator Note: Fee also applies to subforms 903BA and 903BB.	$2,200 (application fee) $1,300 (registration fee)
917A and 917B	Application to vary conditions imposed on auditor’s registration	$1,028
975	Application for extension of time for annual statement by liquidator	$156
5030	Registration copy of explanatory statement	$321
5054	Application for extension of time for dealing with formal proof of debt/claim	$156
5057	Related party benefits—Proposed notice, explanatory statement and accompanying documents Note: Fee also applies to subforms 5057A–5057D.	$802
5071	Application for direction that paragraph 448C(3)(b) does not apply	$156

Form code	Form description	Fee
5100	Application for registration of managed investment scheme Note: Fee also applies to subforms 5100A, 5100B and 5100C. Fee includes Form 5101A *Notification of change to managed investment scheme's constitution*, Form 5102A *Compliance plan for managed investment scheme* and Form 5103 *Directors' statement relating to application for registration of a managed investment scheme*.	$3,029
5107	Notification of change of responsible entity of a registered scheme Note: Fee also applies to subforms 5107A–5107D.	$1,187
5108	Notification of appointment of temporary responsible entity	$1,187
5109	Notification of request by temporary responsible entity to add new responsible entity	$1,187
5112	Application for consent to remove compliance plan auditor	$791
5127	Notice of proposed modification to prescribed interest deed	$478
5128	Notice of ratification of modification to deed	$478
5605	Application for ASIC to appoint a reviewing liquidator	$156
6019	Application for voluntary transfer determination under s601WBA	$5,775
6021	Notice of compulsory acquisition following takeover bid—Notice to dissenting member	$802
6022	Notice of right of buy out to remaining holder of securities following a takeover bid	$641
6023	Notice of right of buy out to holders of convertible securities following a takeover bid	$160
6024	Notice of compulsory acquisition	$802
6025	Notice of right of buy out to holders of convertible securities by 100% holder	$160
6026	Notice of objection regarding compulsory acquisition/buy out	$802
6027	List of members objecting to compulsory acquisition/buy out	$160
6181	Bidder's statement and offer—Off market Note: Fee also applies to subforms 6181A and 6181B. Fee includes Form 670 *Notice of date set for determining holders of securities—Off market*, Form 672 *Notice of status of defeating condition—Unquoted bid class securities* (including subforms 672A and 672B), Form 6011 *Notice of service of bidder's statement—Off market*, and Form 6201 *Notice that takeover offers have been sent—Off market*.	$5,264
6211	Target statement and reports—Off market	$2,565
6261	Notice of offers free of defeating condition—Off market bid	$160

Form code	Form description	Fee
6291	Takeover bidder's statement and documents sent to securities exchange—On market Note: Fee also applies to subforms 6291A and 6291B. Fee includes Form 6301 *Document accompanying bidder's statement—On market*.	$5,130
6321	Notice of variation in takeover offer Note: Fee also applies to subforms 6321A and 6321B.	$802
6331	Target statement and report—On market	$2,565
7000A	Covenants not required under s1069(3)	$3,587
7000D	Trust deed under s1084(2)	$159
7000E	Trust deed under s1094(6)	$159
7015	Application for discharge of security Note: Fee also applies to subforms 7015A–7015D.	$1,284
7021	Executed deed Note: Fee also applies to subforms 7021A and 7021B.	$478
7070	Application to revoke approval of a trustee or representative	$1,196
7078	Application by charity to register identification statement	$2,391
7096	Application to vary conditions of approval to a person acting as trustee or representative	$1,196
New TBC	Eligible applicant requests	$468
New TBC	Application for benchmark administrator licence (s908BD)	$85,888
New TBC	Application to be exempted from requirement to hold benchmark administrator licence	$38,651
New TBC	Application to have financial benchmark removed from ASIC's declaration of significant benchmarks	$38,651
CA912	Application for approval of alternative arrangements under s912B(2)(b)	$1,540
CH5DA	Application to exceed voting power limit—Licensed trustee company	$11,550
CH5DB	Application to extend the period for voting power limit approval—Licensed trustee company	$5,775
CH5DC	Application to vary voting power limit approval—Licensed trustee company	$5,775
CL51	Application for extension of time to lodge an annual compliance certificate	$1,155
CL73	Application for extension of time to lodge credit trust accounts Note: Fee also applies to subforms CL73A and CL73B.	$1,155

Form code	Form description	Fee
CR762	Application for approval of guarantees under reg 7.6.02AAA(3)(b)	$1,540
New TBC	Clearing and settlement facility licence—Application for revocation of exemption	No fee
New TBC	Clearing and settlement facility licence—Application for imposing licence conditions	$38,651
F104	Document lodged under item 7 of s611—Corporate finance	No fee
FS64	Request for voluntary suspension of an Australian financial services licence	$899
FS65	Request to revoke Australian financial services licence	$899
FS68	Application to vary or revoke Australian financial services licence suspension	$899
M02	Application for exemption under s791C—Markets	$1,340
M03	Notice of changes to operating rules under s793D(3) (overseas markets) Note: Fee also applies to subforms M03A and M03B.	$1,549
M04	Application for exemption under s820C(1)—Clearing and settlement facility	$1,340
M07	Notice of changes to Security Exchange Guarantee Corporation operating rules s890G(1)	$38,651
M10	Application for variation of market licence—Change of name (s797A(1))	$1,549
M11	Application for exemption or declaration under s1075A(1)	$17,590
M12	Application for declaration under s1073E(1)	$17,590
M15	Change of name—Clearing and settlement facility licence	$1,549
M16	Application for approval to exceed 15% voting power limit (s851A(1))	$158,350
M17	On giving the Minister or ASIC information under the regulations made for the purposes of s854A(1)(c)	$230
M18	Application for approval of compensation arrangements (s882B(1))	$15,462
M19	Application for change to a matter not in compensation rules (s884C(2))	$38,651
M20B	Notice of changes to operating rules under s822D(3) (overseas clearing and settlement facilities)	$1,549
M21	Notice of change to matter dealt with in compensation rules (s884B(2))	$38,651
M24	Application for exemption and modification for self-listed licensee or related body corporate	$17,180

Form code	Form description	Fee
M31	Application for ASIC to make decisions and take action in conflict or potential conflict situations	As in s5 of the Fees Regulations (new hourly rate of $175.95)
M66	Application for market integrity rule waiver	$14,775
New TBC	Application for revocation of exemption—Markets	No fee
New TBC	Application to impose licence conditions—Markets	$38,651
MI-102	Application for imposition or variation of conditions on a trade repository licence	$38,651
New TBC	Application to impose licence condition (s908BG(2)(a)), or vary or revoke licence condition (s908BG(2)(b)), on a benchmark administrator licence	$38,651
New TBC	Application to cancel or suspend benchmark administrator licence (s908BI(1)(c))	$12,886
New TBC	Application for revocation or cancellation of Australian market (s797B(c))	No fee
New TBC	Application for revocation or cancellation of clearing and settlement facility licence (s826B(c))	No fee
New TBC	Application for revocation or cancellation of Australian trade repository licence (s905H(c))	No fee
New TBC	Application to vary benchmark administrator licence to change of name of administrator (s908BH(a))	$1,549
New TBC	Application to change details of benchmark administrator licence (s908BH(b))	$38,651
New TBC	Application to add one or more financial benchmarks to benchmark administrator licence (s908BH(c))	$38,651
N/A5	Australian trade repository licence application	$154,598
Not applicable	Application for relief—Standard and novel	$3,487
Not applicable	Application or request for ASIC to provide a consent or approval under an instrument made under s655A, 669 or 673 of the Corporations Act (including a provision notionally inserted into Chs 6, 6A or 6C by that instrument)	No fee
SFREG	Self-managed superannuation funds—Application to register as an auditor	$1,927
New TBC	Self-managed superannuation funds—Application for cancellation of registration as SMSF auditor	$899

Form code	Form description	Fee
New TBC	Self-managed superannuation funds—Application to vary conditions imposed on SMSF auditor's registration	$1,028
PF225	Pro Forma 225 Deed of mutual release	$1,798
PF63	Pro Forma 63 Deed of subordination	$1,798
RL06	Application to remove or vary conditions or lift or shorten suspension	$1,018
RL08	Request to cancel or suspend registration as a liquidator	$234
New TBC	For the performance by a member of ASIC, or an ASIC staff member, of the functions under s798DA (market licensee, related body corporate or competitor competing in market)	As in s5 of the Fees Regulations (new hourly rate of $175.95)
New TBC	Australian trade repository licence—Change of name	$1,549
New TBC	Markets—Application for variation of exemption on clearing and settlement facility licence	$17,179
New TBC	Markets—Application for variation of exemption for a financial market or particular type of financial market	$17,179
New TBC	Approval of compensation arrangements under s48(2)(b) of the National Credit Act and reg 12 of the National Consumer Credit Protection Regulations 2010	$1,540
New TBC	Application to approve a compliance scheme under s921K(1)	$10,147

Table 92: Tiered fees for service for our regulatory activities

Form CL01 *Australian credit licence application*

Applicant type	Authorisation	Fee
Individual	Other than credit provider	$1,798
Individual	Credit provider	$3,468
Other than an individual	Other than credit provider	$2,055
Other than an individual	Credit provider	$4,624

Note: Fee also applies to subforms CL1AA, CL1AB, CL1AC, CL1AD, CL1AE, CL1AF, CL1AG, CL1AH, CL1AI, CL1BA, CL1BB, CL1BC, CL1BD, CL1BE, CL1BF, CL1BG, CL1BH, CL1BI, CL1CA, CL1CB, CL1CC, CL1CD, CL1CE, CL1CF, CL1CG, CL1CH, CL1CI, CL1DA, CL1DB, CL1DC, CL1DD, CL1DE, CL1DF, CL1DG, CL1DH, CL1DI, CL1Z.

Form CL03 *Vary authorisations or conditions of an Australian credit licence*

Applicant type	Authorisation	Fee
Individual	Credit provider	$1,156
Individual	Other than a credit provider	$2,183
Other than an individual	Credit provider	$1,284
Other than an individual	Other than a credit provider	$2,826

Note: Fee also applies to subforms CL03A, CL03B, CL03C and CL03Z.

Form FS01 *Australian financial services licence application (electronic format)*

Client type	Applicant type	Complexity level	Fee
Retail	Individual	Low	$2,233
Retail	Individual	High	$5,025
Retail	Other than an individual	Low	$3,721
Retail	Other than an individual	High	$7,537
Wholesale	Individual	Low	$1,488
Wholesale	Individual	High	$3,350
Wholesale	Other than an individual	Low	$2,233
Wholesale	Other than an individual	High	$5,025

Note: Fee also applies to subforms FS01A–FS01H, FS01J–FS01Q and FS01Z.

Form FS01 *Australian financial services licence application (paper format)*

Client type	Applicant type	Complexity level	Fee
Retail	Individual	Low	$3,349
Retail	Individual	High	$7,537
Retail	Other than an individual	Low	$5,582
Retail	Other than an individual	High	$11,305
Wholesale	Individual	Low	$2,233
Wholesale	Individual	High	$5,025
Wholesale	Other than an individual	Low	$3,349
Wholesale	Other than an individual	High	$7,537

Note: Fee also applies to subforms FS01A–FS01D, FS01AA, FS01BA.

Form FS03 *Application to vary the authorisation conditions and other conditions of an Australian financial services licence (electronic format)*

Applicant type	Fee
Individual	$2,214
Other than an individual	$2,470

Note: Fee also applies to subforms FS03A, FS03B, FS03C and FS03Z.

Form FS03X *Application to vary the authorisation conditions and other conditions of an Australian financial services licence (paper format)*

Applicant type	Fee
Individual	$3,328
Other than an individual	$3,704

Form M01 *Application for an Australian Markets Licence*

Complexity level	Fee
Low	$15,462
Medium	$85,888
High	$154,596

Form M03 *Notice of changes to operating rules subsection 793D(1)*

Complexity level	Fee
Low	$2,580
Medium	$18,035
High	$44,660

Note: Fee also applies to subforms M03A and M03B.

Form M20 *Notice of changes to operating rules section 822D(1)*

Complexity level	Fee
Low	$2,580
Medium	$18,035
High	$44,660

Note: Fee also applies to subforms M20A and M20B.

Form M22 ***Application for an Australian Clearing and Settlement facility licence***

Complexity level	Fee
Low	$15,462
Medium	$85,888
High	$154,596

Form RL05 ***Registered Liquidator renewal***

Timing of submission	Fee
Standard	$1,920
Early bird	$1,720

Note: Fee also applies to subforms RL05A and RL05B.

Appendix 3: Forms that will have fees removed

Table 93: Forms that have had fees removed

Form code	Form description	Fee prior to 4 July 2018
P-351	Deed relating to class order	$39
P-338	Application for approval of unregistered auditor of proprietary company	$39
P-5111	Compliance plan audit report of a registered scheme Note: Fee also applies to subform 5111Z.	$39
P-5116	Notice of withdrawal offer regarding registered scheme	$39
P-5131	Application for appointment of scheme auditor by a member of a registered scheme	$39
P-5132	Application for consent to the removal or resignation of a scheme auditor	$39
P-5138	Notification of commencement or completion of winding up of a registered scheme	$39
P-5140	Notification of proposed change of name of a registered scheme	$39
P-593	Application for extension of time to provide notice of hearing for a scheme	$39
P-6010A	Application for voluntary deregistration of a scheme	$39
P-7079	Supplementary or replacement identification statement	$39
P-719	Statement about payments out of a development account	$39
P-905AA	Notification of ceasing to act or change to details of a liquidator	$39
P-905B	Notification of ceasing to practise as or change to details of an auditor	$39
P-905D	Notification of ceasing to practise as or change to details of an authorised audit company	$39
P-912A	Annual statement by an auditor	$78
P-912B	Annual statement by an authorised audit company	$161
P-912C	Individual auditor (paper lodgement)	$161
P-912D	Authorised audit company (paper lodgement)	$323
P-972	Application for registration as official liquidator	$387
P-CL5AA	Australian credit licence annual compliance certificate—Person or sole trader, under $100 million	$523

Form code	Form description	Fee prior to 4 July 2018
P-CL5AB	Australian credit licence annual compliance certificate—Body corporate, under $100 million	$1,160
P-CL5AC	Australian credit licence annual compliance certificate—All, $100 million to $200 million	$1,160
P-CL5AD	Australian credit licence annual compliance certificate—All, $200 million to $600 million	$4,644
P-CL5AE	Australian credit licence annual compliance certificate—All, $600 million to $1,000 million	$9,289
P-CL5AF	Australian credit licence annual compliance certificate—All, $1,000 million to $1,400 million	$13,933
P-CL5AG	Australian credit licence annual compliance certificate—All, $1,400 million to $1,800 million	$18,576
P-CL5AH	Australian credit licence annual compliance certificate—All, $1,800 million to $2,100 million	$23,220
P-CL5AI	Australian credit licence annual compliance certificate—All, over $2,100 million	$24,384
P-CL70A	Australian credit licence—Trust account statement	$115
P-CL70B	Australian credit licence—Trust account statement	$140
P-FS06	Appointment of an auditor of an Australian financial services licensee	$39
P-FS70A	Australian financial services licensee profit and loss statement and balance sheet—Body corporate	$608
P-FS70B	Australian financial services licensee profit and loss statement and balance sheet—Natural person	$249
P-FS70C	Australian financial services licensee profit and loss statement and balance sheet—Superannuation fund trustee or partnership	$608
P-FS70D	Australian financial services licensee profit and loss statement and balance sheet—Body corporate, non-disclosing entity	$608
P-FS72	Application for extension of time to lodge annual accounts	$39
P-FS88A–P-FS88C	Product Disclosure Statements in-use notice	$39
P-FT10	Application for extension of time to provide copy of register of members	$39
P-M06	Report and financial statements under s892H(6)	$395
P-M13	Australian markets licensee annual report to ASIC under s792F(1)	$395

Form code	Form description	Fee prior to 4 July 2018
P-M29	Australian clearing and settlements facility licensee annual report to ASIC under s821E(1)	$395
P-SFANL	Annual statement by a self-managed superannuation fund auditor	$54
Nil	Fee for lodging a notice under s465A(1)(a) and s465A(2)	$145
709	Return of members in firm of auditors of securities licensee	$39
722	Notice of appointment of trustee for debenture holders	$39
756	Accounts of fidelity fund of securities exchange	$39
758	Accounts of fund (SEGC)	$39
770	Copy of trust deeds	$39
773	Borrowing corporation’s consolidated annual accounts	$39
774	Borrowing corporation’s consolidated half-yearly accounts	$39
775	Borrowers periodic (quarterly) report	$39
776	Borrowing or guarantor corporation’s annual accounts	$39
777	Borrowing or guarantor corporation’s half-yearly accounts	$39
781	Borrowing corporation compliance notice to the Commission	$39
782	Notice loans and deposits immediately repayable	$39
787	Lodgement of consolidated copies of deeds	$39
805	Return of members of firm of auditors of futures licensee	$39
814	Notice of appeal against decision	$39
5113	Application for consent to resign as a compliance auditor	$39
5117	Notice of cancellation of withdrawal offer for a scheme	$39
5139	Court order—Responsible entity to wind up scheme	$39
7011	Six-monthly supplement to prospectus	$39
7027	Notice of special variation proposal—Unlisted property trust	$39
7054	Notice—Special variation proposal re entrenchment provisions	$39
7060	Time-sharing scheme loose-leaf price list	$39
7072	Pro forma notice in relation to unquoted securities	$39

Form code	Form description	Fee prior to 4 July 2018
7082	List of underlying securities available through trust	$39
7114	Notice of intention to rely on class order—General	$39
5101B	Modification of constitution	$39
5101C	Replacement constitution	$39
5101D	Consolidated constitution	$39
5102B	Modification of compliance plan	$39
5102C	Replacement compliance plan	$39
5106B	Consolidated compliance plan	$39
723B	Return by management company—Other	$39
837B	Appointment by futures broker	$39
FS92A	Notification of intent to comply with future of financial advice provisions (licensee)	$39
FS92B	Notification of intent to comply with future of financial advice provisions (organisation)	$39
FS92C	Notification of intent to comply with future of financial advice provisions (person)	$39

Appendix 4: List of non-confidential respondents

- Association of Financial Advisers Ltd
- ASX Group
- Australian Restructuring Insolvency and Turnaround Association
- Barry Hamilton & Associates
- Chartered Accountants Australia and New Zealand
- Chi-X Australia
- Dye & Co. Pty Ltd
- Eclipse Options Australia Pty Ltd
- Epoch Capital
- Mr David Fagan
- Financial Services Council
- Governance Institute of Australia Ltd
- Mr Colin McDonald
- National Insurance Brokers Association of Australia
- Sydney Stock Exchange Limited

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
APRA	Australian Prudential Regulation Authority
ASIC Act	*Australian Securities and Investments Commission Act 2001*
ASIC-sourced revenue	Revenue generated from sources such as sub-leasing office space to other agencies, publishing royalties and the recovery of court awarded costs
ASX	ASX Limited or the exchange market operated by ASX Limited
auditors of disclosing entities	Authorised audit companies and audit firms that audit disclosing entities with quoted securities
Australian derivative trade repository operators	Has the meaning given in reg 59 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Australian market licence	An Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
BBSW	Bank bill swap rate
benchmark administrator licence	A benchmark administrator licence under s908BC(1) of the Corporations Act that authorises a person to administer a significant financial benchmark
benchmark administrator licensee	The holder of a benchmark administrator licence
CADB	Companies Auditors Disciplinary Board, formerly known as the Companies Auditors and Liquidators Disciplinary Board (CALDB)
capital expenditure allowance	A figure equal to ASIC's departmental capital budget and equity injection appropriations to develop infrastructure to support new regulatory responsibilities.
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act

Term	Meaning in this document
corporate advisers	Has the meaning given in reg 63 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
cost recovery guidelines	[Australian Government Cost Recovery Guidelines (PDF 1.9 MB)]
Cost Recovery Levy Act	*ASIC Supervisory Cost Recovery Levy Act 2017*
Cost Recovery Levy Regulations	*ASIC Supervisory Cost Recovery Levy Regulations 2017*
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities
credit licensee	A person who holds an Australian credit licence under s35 of the National Credit Act
credit providers	Has the meaning given in s5 of the National Credit Act
credit rating agencies	Has the meaning given in reg 60 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
CRIS	Cost Recovery Implementation Statement
CS facility	A clearing and settlement facility as defined in s768A of the Corporations Act
CS facility licence	An Australian CS facility licence under s824B that authorises a person to operate a CS facility in Australia
CS facility operator	An entity that operates a CS facility under a CS facility licence
CSF	Crowd-sourced funding
CSF intermediary	An AFS licensee whose licence expressly authorises the licensee to provide a crowd-funding service Note: See s738C of the Corporations Act.
CSF regime	The statutory regime for crowd-sourced funding in Pt 6D.3A of the Corporations Act regulating CSF offers
custodians	AFS licensees with authorisations to provide custodial and depository services
deposit product provider	Australian deposit-taking institutions (i.e. banks, credit unions and building societies) that provide deposit products to consumers, such as deposit accounts, certificates of deposit, and foreign currency deposits
ESA	ASIC Enforcement Special Account
equity injection appropriation	Funds provided by the Australian Government to ASIC to enable investment in assets (e.g. capital expenditure)

Term	Meaning in this document
exempt CS facility operators	Market infrastructure providers that hold an exemption from the requirement to hold a CS facility licence
exempt market operators	Market infrastructure providers that hold an exemption from the requirement to hold a market licence
fees for service	Fees charged to recover our costs for services provided
fees-for-service activities	ASIC activities for which we will charge a fee. These can be broadly categorised as: • licensing application or variation services; • registration application services; • compliance review of documents lodged with ASIC; • requests for changes to market operating rules; and • assessing applications for relief
Fees Regulations	Corporations (Fees) Regulations 2001
FICC	fixed income, currencies and commodities
financial advisers register	A register maintained by ASIC of individuals who are authorised to provide personal advice to retail clients on investments, superannuation and life insurance
financial product advice	A recommendation or a statement of opinion, or a report of either of these things, that: • is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or • could reasonably be regarded as being intended to have such an influence. This does not include anything in an exempt document Note: This is a definition contained in s766B of the Corporations Act.
flat levy	Has the meaning given in paragraphs 82–83
FSI	Financial System Inquiry
FTE staff	Full-time equivalent staff
FYE	Full-year equivalent
general advice	Financial product advice that is not personal advice Note: This is a definition contained in s766B(4) of the Corporations Act.
graduated levy	A levy based on the graduated levy component formula, where all entities in a subsector must pay: • a minimum levy; and • an additional variable component, based on each entity’s share of relevant activity within the subsector

Term	Meaning in this document
IDPS	An investor directed portfolio service as defined in Class Order [CO 13/763] Investor directed portfolio services or any instrument that amends or replaces that class order
IDPS operator	An entity that operates an IDPS
industry levies CRIS	*Cost Recovery Implementation Statement: Levies for ASIC industry funding (2017–18)*, published in May 2018
INFO 214 (for example)	An ASIC information sheet (in this example numbered 214)
insurance product providers	Has the meaning given in reg 72 of the Cost Recovery Levy Regulations
insurance product distributors	Has the meaning given in reg 70 of the Cost Recovery Levy Regulations
IOSCO	International Organization of Securities Commissions
IT	Information technology
large proprietary companies	Has the meaning given in reg 16 of the Cost Recovery Levy Regulations
listed corporations	Has the meaning given in reg 22 of the Cost Recovery Levy Regulations
managed investment scheme	Has the meaning given in s9 of the Corporations Act
market competition cost recovery	Has the meaning given at paragraph 79(c) of this CRIS
market licensee	The holder of an Australian market licence
market participants	Has the meaning given in s761A of the Corporations Ac
margin lenders	Has the meaning given in reg 23 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
market supervision and surveillance system	ASIC's systems for supervising and surveilling the financial market
MDA	A managed discretionary account
medium amount credit contract	Has the meaning given in s204 of the National Credit Code (Sch 1 to the National Credit Act)
National Credit Act	*National Consumer Credit Protection Act 2009*
NFLS	National Financial Literacy Strategy
old Corporations Law	Has the meaning given in s1371 of the Corporations Act

Term	Meaning in this document
old Corporations Regulations	Has the meaning given in s1371 of the Corporations Act
OTC	Over the counter
OTC traders	Has the meaning given in reg 66 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
payment product providers	Has the meaning given in reg 28 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
PDS	A Product Disclosure Statement—a document that must be given to a retail client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act Note: See s761A for the exact definition.
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: • the person giving the advice has considered one or more of the person's objectives, financial situation and needs; or • a reasonable person might expect the person giving the advice to have considered one or more of these matters Note: This is a definition contained in s766B(3) of the Corporations Act.
process service	The official service of documents on a party that alerts them that court proceedings have been initiated
reg 20 (for example)	A regulation of the ASIC Supervisory Cost Recovery Levy Regulations 2017 (in this example numbered 20), unless otherwise specified
registered company auditors	Has the meaning given in reg 18 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
registered liquidator	A person registered by ASIC under s20-30 of Sch 2 to the Corporations Act
registered scheme	A managed investment scheme that is registered under s601EB of the Corporations Act
registerable superannuation entity	Has the meaning given in the *Superannuation Industry (Supervision) Act 1993*
relevant financial product	A financial product other than a basic banking product, general insurance product, consumer credit insurance, or a combination of any of these products (see s922C of the Corporations Act)
responsible entity	A responsible entity of a registered scheme as defined in s9 of the Corporations Act

Term	Meaning in this document
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations
retail OTC derivatives issuers	Has the meaning given in reg 61 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
RG 212 (for example)	An ASIC regulatory guide (in this example numbered 212)
risk management product providers	Has the meaning given in reg 71 of the Cost Recovery Levy Regulations
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
RSE licensee	Has the meaning given in s10 of the *Superannuation Industry (Supervision) Act 199*3
s912C (for example)	A section of the Corporations Act (in this example numbered 912C), unless otherwise specified
SCT	Superannuation Complaints Tribunal
securities dealers	Has the meaning given in reg 67 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
SIS Act	*Superannuation Industry (Supervision) Act 1933*
small amount credit contract	Has the meaning given in s5 of the National Credit Act
small proprietary companies	Has the meaning given in s45A(2) of the Corporations Act
SMSF	A self-managed superannuation fund
superannuation fund	Has the meaning given in s10(1) of the *Superannuation Industry (Supervision) Act 1993*
superannuation trustee	A person or group of persons licenced by APRA under s29D of the *Superannuation Industry (Supervision) Act 1993* to operate a registrable superannuation entity (e.g. superannuation fund) (also known as an 'RSE licensee')
supervisory college	Supervisory colleges were established to facilitate the exchange of information between the supervisors of internationally active credit rating agencies, to foster more effective supervision of these agencies
Takeovers Panel	The panel established under s171 of the ASIC Act and given various powers under Pt 6.10 of the Corporations Act
Tier 1 CS facility	Has the meaning given in reg 54 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Tier 2 CS facility	Has the meaning given in reg 55 of the ASIC Supervisory Cost Recovery Levy Regulations 2017

Term	Meaning in this document
Tier 3 CS facility	Has the meaning given in reg 56 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Tier 4 CS facility	Has the meaning given in reg 57 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
threat, harm and behaviour framework	Has the meaning given in paragraphs 67–68
traditional trustee company services	Has the meaning given in s601RAC(1) of the Corporations Act, and includes: • performing estate management functions (as defined in s601RAC(2)); • preparing a will, a trust instrument, a power of attorney or an agency arrangement; • applying for probate of a will, applying for grant of letters of administration, or electing to administer a deceased estate; • establishing and operating common funds; and • any other services prescribed by the regulations for the purpose of s601RAC(1)
unlisted public companies	Has the meaning given in reg 17 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
weighted average hourly rate	Has the meaning given in paragraph 360–363
wholesale client	A client who is not a retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001
wholesale electricity dealers	Has the meaning given in reg 62 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
wholesale trustee	Has the meaning given in reg 37 of the ASIC Supervisory Cost Recovery Levy Regulations 2017

Related information

Headnotes

cost recovery, education, enforcement, fees for service, flat levy, graduated levy, guidance, industry engagement, industry funding model, levies, policy advice, regulatory activity, regulatory costs, stakeholder engagement, surveillance

Instruments

ASIC (Fees—Complexity Criteria) Instrument 2018/578

ASIC (Fees—Complexity Criteria) Amendment Instrument 2019/130

Regulatory guides

RG 51 *Applications for relief*

RG 108 *No action letters*

RG 180 *Auditor registration*

RG 212 *Client money relating to dealing in OTC derivatives*

Legislation

Asia Region Funds Passport Regulations 2018

ASIC Act

ASIC Supervisory Cost Recovery Levy (Collection) Act 2017

ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017

ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Regulations 2017

ASIC Supervisory Cost Recovery Levy (Enhancements) Regulations 2018

Australian Charities and Not-for-profits Commission Act 2012

Corporations Act, Ch 5; Pts 7.2, 7.3, 7.5A, 7.5B; s218, 329(5)(a), 601EA, 764A, 791C, 795B, 827A, 910A, 911A(2)(l), 912C, 922C, 926A(2), 1324, 1325A

Corporations Amendment (Asia Region Funds Passport) Regulations 2018

Corporations Amendment (Crowd-sourced Funding) Act 2017

Corporations (Fees) Act 2001

Corporations (Fees) Amendment (ASIC Fees) Act 2018

Corporations (Review Fees) Regulations 2003

Cost Recovery Levy Act, s10(6)(b)

Cost Recovery Levy Regulations, regs 20, 72(2)

Insolvency Law Reform Act 2016

Insurance Act 1973

Legislation Act 2003

Life Insurance Act 1995, s21

National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018

National Credit Act, s5; Sch 1, s204

Public Governance, Performance and Accountability Act 2013, s39(1)(a)

SIS Act

Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018

Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018

Treasury Laws Amendment (2017 Measures No. 5) Act 2018

Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 (exposure draft)

Treasury Laws Amendment (ASIC Fees) Regulations 2018

Consultation papers and reports

CP 308 *Review of RG 97 Disclosing fees and costs in PDSs and periodic statements*

REP 256 *Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions*

REP 531 *Review of compliance with asset holding requirements in funds management and custodial services*

REP 561 *Regulator Performance Framework: ASIC self-assessment 2016–17*

REP 566 *Surveillance of credit rating agencies*

REP 587 *The sale of direct life insurance*

REP 594 *Review of selected financial services groups' compliance with the breach reporting obligation*

REP 602 *Overview of decisions on relief applications (April to September 2018)*

REP 611 *Overview of licensing and professional registration applications: July 2017 to June 2018*

REP 612 *ASIC regulation of corporate finance: July to December 2018*

Information sheets

INFO 214 *Mining and resources: Forward-looking statements*

ASIC forms

See Appendices 2 and 3

Rules

ASIC Derivative Trade Repository Rules 2013

ASIC Client Money Reporting Rules 2017

Other ASIC documents

Annual Report 2017–18

Corporate Plan 2018–22: Focus 2018–19

ASIC service charter

Non-ASIC documents

Council of Financial Regulators, *Application of the regulatory influence framework for cross-border central counterparties*, March 2014

Department of Finance, Australian Government Cost Recovery Guidelines (PDF 1.9 MB), July 2014

Department of Finance, *Australian Government Charging Framework: Resource Management Guide No. 302*, July 2015

FSI, *Financial System Inquiry: Final report*, December 2014

IOSCO, Code of Conduct Fundamentals for Credit Rating Agencies (PDF 918 KB), March 2015

O'Dwyer, Kelly, *Registered charities not required to pay ASIC levy*, July 2018

O'Dwyer, Kelly, and Morrison, Scott, *Turnbull Government expands ASIC's armoury*, August 2018

Senate Economics References Committee, *Performance of the Australian Securities and Investments Commission*, June 2014

Treasury, *Budget 2016–17: Budget measures—Budget paper no. 2*, May 2016

Treasury, *Introduction of Australian Securities and Investments Commission's fees for service under the industry funding model: Consultation paper*, November 2017

Treasury, *Proposed industry funding model for the Australian Securities and Investments Commission: Consultation paper*, August 2015