



**ASIC**  
Australian Securities &  
Investments Commission

# **Cost Recovery Implementation Statement: ASIC industry funding model (2020–21)**

November 2021

## **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 2020–21 (in Part 1); and
- our user-initiated and transaction-based regulatory costs via fees for service in 2020–21 (in Part 2).

### 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](#) (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, paragraph 4).
- 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 2020–21 will be recovered from each industry sector via cost recovery levies and statutory levies under the industry funding model. We will issue invoices for the 2020–21 financial year in January 2022, 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 2020–21. 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 has been prepared on the basis of our planned regulatory work and estimated levies to recover regulatory costs at the beginning of the 2020–21 financial year. The indicative levies for 2020–21 are a guide only. There will be differences between indicative and actual regulatory costs, once known. This may be due to changes in our operating environment and the conduct of our regulated population during the year that requires us to adapt to new developments and emerging threats and harms. It may also be

driven by the changing nature of enforcement matters as they progress through the stages of investigation and litigation.

- 5 The final levies charged under the industry funding model will be based on our actual cost of regulating each subsector in 2020–21.
- 6 We explain reasons for material variances between indicative and actual regulatory costs for 2019–20 in Section P.

## Background to the industry funding model

- 7 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. The Australian Government undertook extensive consultation to develop and refine the industry funding model: for more information on this consultation, see paragraphs 447–448.

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

- (a) industry funding levies, consisting of:
  - (i) 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); and
  - (ii) statutory levies for activities the Australian Government has decided should be cross-subsidised between industry subsectors. This includes the recovery of costs from industry for education provided to consumers (see paragraphs 26–30 and Table 2 and Table 3); and

Note: In this CRIS, we use the term ‘industry funding levies’ to refer to cost recovery levies and statutory levies collectively.

- (b) 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).

- 9 Table 1 provides an overview of how we expect to recover our 2020–21 regulatory costs for each of our regulatory activities that are subject to industry funding. We have provided a detailed description of each of these activities in Table 4.

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 levies	Fees for service
Supervision and surveillance	\$50.376m	\$1.740m	Nil
Enforcement	\$63.828m	\$59.882m	Nil
Other regulatory activities			
<i>Industry engagement</i>	\$7.094m	\$0.056m	Nil
<i>Education</i>	\$1.293m	\$8.903m	Nil
<i>Guidance</i>	\$4.579m	\$0.020m	Nil
<i>Policy advice</i>	\$8.899m	\$0.102m	Nil
Indirect costs			
<i>Governance, central strategy and legal</i>	\$36.060m	\$0.148m	Nil
<i>Information technology (IT) support</i>	\$28.629m	\$0.282m	Nil
<i>Operations support</i>	\$20.348m	\$0.978m	Nil
<i>Property and corporate services</i>	\$44.297m	\$0.040m	Nil
Fees for service activities			
<i>Licence applications or variations</i>	Nil	Nil	\$1.886m
<i>Registration application services</i>	Nil	Nil	\$3.097m
<i>Compliance review of documents</i>	Nil	Nil	\$3.341m
<i>Requests for changes to market operating rules</i>	Nil	Nil	\$0.135m
<i>Assessment of applications for relief</i>	Nil	Nil	\$4.091m
<b>Total</b>	<b>\$265.402m</b>	<b>\$72.151m</b>	<b>\$12.550m</b>

Note 1: See Table 4 for a detailed description of the regulatory activities listed in this table.

Note 2: In August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy announced [temporary relief](#) for licensees that provide personal advice to retail clients on relevant financial products. This will result in partial cost recovery for that subsector.

## About ASIC

- 10 ASIC is Australia's corporate, markets, financial services and consumer credit regulator. ASIC is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).
- 11 The ASIC Act requires ASIC to strive to:
  - (a) maintain, facilitate and improve the performance of the financial system, and the 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 of investors and consumers in the financial system;
- (c) administer the law effectively and with minimal procedural requirements;
- (d) efficiently and quickly receive, process and store information that is given to ASIC;
- (e) make information about companies and other bodies available to the public as soon as practicable; and
- (f) take whatever action we can, and which is necessary, to enforce and give effect to the law.

- 12 ASIC’s statutory objectives include enforcing and giving effect to the laws we administer. We use a range of regulatory tools and remedies to address misconduct. This includes taking enforcement action, such as court action, against individuals and entities where warranted. In doing so, we seek to deter poor behaviour and ensure that individuals act in accordance with the law.
- 13 ASIC also has the function of monitoring and promoting market integrity and consumer protection in relation to the Australian financial system. We monitor and promote market integrity and consumer protection in relation to the payments system, by promoting the adoption of approved industry standards and codes of practice, the protection of consumer interests, community awareness of payments system issues, and sound customer–banker relationships.
- 14 Our vision is for a fair, strong and efficient financial system for all Australians. Our [\*Corporate Plan 2020–24: Focus 2020–21\*](#) explains how we use our strategic planning framework to achieve our vision. The framework guides the development of our priorities and actions. It is based on the monitoring and analysis of our operating environment, the identification of threats and behaviours that lead to harm (through our threats, harms and behaviours framework), and the prioritisation of those harms that need to be addressed. This strategic planning process supports how we plan our regulatory action and allocate our regulatory costs.
- 15 Against the backdrop of the COVID-19 pandemic, we are actively focused on protecting consumers and supporting businesses during a challenging time. A key focus of our work is to support the long-term recovery of the Australian economy, and apply the appropriate level of regulation required to achieve our statutory objectives.

## PART 1 Industry funding levies

- 16 Part 1 of this CRIS provides information on how we will recover the costs of our regulatory activities using industry funding levies.
- 17 Part 1 sets out:
- (a) the policy and statutory authority for industry funding levies (see Section A);
  - (b) the costs to be recovered through industry funding levies (see Section B);
  - (c) a description of how the cost recovery model works (see Section C);
  - (d) our budgeted costs and the work we will do over 2020–21 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); and
    - (vi) the insurance sector (see Section I); and
  - (e) the risk assessment we have undertaken (see Section J).



## A 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 *ASIC Supervisory Cost Recovery Levy Regulations 2017* (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

- 18 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.

- 19 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.

- 20 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.

- 21 In August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy announced temporary and targeted relief for financial advisers that will result in partial cost recovery for the personal advice subsector. The relief will see the graduated component of the levy for this subsector restored to its 2018–19 level for two years.

Note: See joint media release from the Hon. Josh Frydenberg MP and Senator the Hon. Jane Hume, [\*Temporary and targeted relief on ASIC levies for financial advisers\*](#), 30 August 2021.

## Statutory authority for the levies

- 22 The legislative framework for industry funding 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.

## B Costs to be recovered through industry funding levies

### Key points

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

It includes our forecast of the work we will undertake for each subsector for 2020–21 and what it will cost to carry out that work (regulatory costs). We estimate we will recover \$359.6 million of our 2020–21 regulatory costs via industry funding levies.

Part 1 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, financial capability, and other regulatory activities (i.e. industry engagement, education, guidance, and policy advice).

This section covers the costs we expect to recover, describes our regulatory activities and outlines changes, if any, to the industry funding levies since we published [Cost Recovery Implementation Statement: ASIC industry funding model \(2019–20\)](#) (2019–20 CRIS).

### ASIC costs to be recovered

- 23 ASIC's regulatory costs will continue to be funded through appropriation from the Commonwealth budget: see Table 2 for costs that are expected to be recovered. This includes \$22.1 million in allowance for capital expenditure, less costs funded by own-source revenue, and adjustments for under and over recoveries from 2019–20.

Note: The \$22.1 million includes \$4.1 million that was not recovered from deregistered companies and \$0.484 million that was not recovered from small futures exchange operators: see Table 38. This amount is carried forward in accordance with s10(6)(b) of the Cost Recovery Levy Act.

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

Note: The annual review fee is a registry fee and is not charged within the Australian Government Charging Framework.

- 25 Part 1 of this CRIS covers our regulatory costs of \$359.6 million that we expect to recover via cost recovery levies and statutory 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.
- 26 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 levy.
- Note: Statutory levies make up \$70.2 million of the total \$359.6 million in regulatory costs that we expect to recover.
- 27 Table 2 depicts the regulatory costs expected 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 levies	Total levy
Corporate	\$63.956m	\$14.446m	\$78.402m
Note: For this sector, the regulatory costs recovered through levies do not include the costs recovered from small proprietary companies. The costs for that subsector are recovered through a \$4 increase to the annual review fee.			
Deposit taking and credit	\$39.099m	\$5.435m	\$44.534m
Investment management, superannuation and related services	\$44.260m	\$16.901m	\$61.161m
Market infrastructure and intermediaries	\$47.693m	\$8.816m	\$56.509m
Financial advice	\$54.281m	\$17.965m	\$72.246m
Insurance	\$16.113m	\$8.589m	\$24.702m
<b>Total costs to be recovered</b>	<b>\$265.402m</b>	<b>\$72.151m</b>	<b>\$337.553m</b>

Note 1: The levies in this table refer to regulatory costs incurred in 2020–21. In addition to this, we will recover \$22.1 million of regulatory costs. These additional regulatory costs consist of allowance for capital expenditure, less costs funded by own-source revenue, and adjustments for under and over recoveries from 2019–20.

Note 2: In August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy announced [temporary relief](#) for licensees that provide personal advice to retail clients on relevant financial products.

- 28 The activities that will be recovered via a statutory levy are:
- (a) the ASIC Enforcement Special Account (ESA);
  - (b) education;
  - (c) administration of unclaimed money;

- (d) operation of the North Queensland insurance aggregator website;
- (e) the regulation of crowd-sourced funding (CSF) implementation;
- (f) whistleblower legal framework; and
- (g) the regulation of credit rating agencies.

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

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

Activity	Costs
Enforcement (ESA funded)	\$56.596m
Education	\$8.652m
Note: This indicative figure has not been adjusted for the costs relating to the national financial capability policy function that moved to Treasury in October 2020. This amount (approximately \$0.5m) will not be included in actual regulatory costs for 2020–21.	
Unclaimed money administration	\$0.955m
North Queensland insurance aggregator	\$0.228m
CSF implementation	\$1.108m
Whistleblower legal framework	\$2.480m
Credit rating agencies (all activities)	\$0.224m
<b>Total costs to be recovered by statutory levies</b>	<b>\$70.242m</b>

Note: The \$70.242 million in statutory levies does not include allowance for capital expenditure.

30 Statutory levies and cost recovery levies will be included in the same invoice as a single line item.

31 Our forecast of our regulatory costs for each subsector in Part 1 of this CRIS is calculated by apportioning the total amount of \$359.6 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 2020–21. The final levies will be based on our actual cost of regulating each subsector in 2020–21. This ensures that each subsector is only levied for the actual cost of regulating that subsector.

## Exemptions

### Costs recovered by the Australian Prudential Regulation Authority

- 32 The Australian Prudential Regulation Authority (APRA) will continue to recover the costs of the Superannuation Complaints Tribunal (SCT) through the Financial Institutions Supervisory Levies until 30 June 2023.

### Registered charities and not-for-profits

- 33 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 industry funding levies because of the unique and important role charities play in society. We will not recover the portion of our costs (estimated to be approximately \$2.5 million per year) 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

- 34 The 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 Companies Auditors Disciplinary Board (CADB);
  - (c) operating the committees convened on an ad-hoc basis to consider disciplinary matters relating to registered liquidators (registered liquidators 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 registered liquidators into the failure of a company with few or no assets.

## Description of our regulatory activities

- 35 In everything we do we are guided by our vision of 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 strong and innovative development of the financial system; and
  - (d) help Australians be in control of their financial lives.
- 36 Our regulatory activities can be broadly categorised as:
- (a) supervision and surveillance;
  - (b) enforcement; and
  - (c) other regulatory activities, consisting of:
    - (i) industry engagement;
    - (ii) education;
    - (iii) guidance; and
    - (iv) policy advice.
- 37 These activities together form our regulatory toolkit. We use this toolkit across the industry sectors we regulate to identify and respond to threats and harms, and achieve our vision. For most of the issues in our remit, we will use a combination of these tools to achieve a solution.
- 38 We enforce the law and regulate companies, financial markets and financial services under the following key legislation (as well as parts of other legislation):
- (a) the ASIC Act;
  - (b) the *Business Names Registration Act 2011*;
  - (c) the *Corporations Act 2001* (Corporations Act);
  - (d) the *Insurance Contracts Act 1984*; and
  - (e) the *National Consumer Credit Protection Act 2009* (National Credit Act).
- 39 In 2020–21, we are focused on addressing the impact of the COVID-19 pandemic, as well as other core priorities and workstreams that target threats and harms in our regulatory environment over the longer term. These are detailed in our [Corporate Plan 2020–24: Focus 2020–21](#), published in August 2020.
- 40 Our pandemic-related work is guided by five strategic priorities:
- (a) protecting consumers from harm at a time of heightened vulnerability;
  - (b) maintaining financial system resilience and stability;
  - (c) supporting Australian businesses to respond to the effects of the COVID-19 pandemic;
  - (d) continuing to identify, disrupt and take enforcement action against the most harmful conduct; and
  - (e) continuing to build our organisational capacity in challenging times.



- 41 As part of this work, we are monitoring and taking action against unscrupulous and predatory behaviour towards consumers already suffering from the pandemic. This work includes a focus on scams, false and misleading advertising, and unlicensed advice. We are working with regulated entities to ensure that they continue to act fairly and in the best interests of consumers. We are also providing consumers and businesses with enhanced financial information, to help them make well-informed decisions. This information is on the [ASIC website](#) and our [Moneysmart website](#).
- 42 We have expanded our market supervision activities to support the fair and orderly operation of markets and ensure investors are informed appropriately. We are also taking steps to support businesses in these challenging times. We are providing relief in a number of areas, including capital raisings, shareholder meetings and the lodgement of financial reports.
- 43 Parallel to our pandemic-related work, we continue to progress longer-term priorities beyond the pandemic. A key consideration across all of our work will be the extent to which we are supporting the long-term recovery of the Australian economy, and the appropriate level of regulation required to achieve our statutory objectives. We also continue to progress our work to implement the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission).
- 44 Our work is aligned with achieving our vision as outlined in paragraph 35. As part of this, our focus beyond the pandemic includes:
- (a) promoting confident participation in the financial system to support long-term economic recovery;
  - (b) deterring poor behaviour and misconduct through our enforcement strategy, and driving cultural change using all of our regulatory tools;
  - (c) improving entities' management of key risks to prevent and mitigate harms to consumers, and promote a healthy financial system and economic growth;
  - (d) addressing consumer harm resulting from elevated debt levels and hardship, with a focus on predatory lending;
  - (e) reducing poor product design and restricting mis-selling;
  - (f) reducing misconduct by company directors and professional service providers; and
  - (g) delivering as a conduct regulator for superannuation.
- 45 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
<b>Supervision and surveillance</b>	<p>We conduct supervision and surveillance to test compliance with the laws we administer and promote positive consumer and investor outcomes.</p> <p>We may gather and analyse information on:</p> <ul style="list-style-type: none"> <li>• a specific entity or range of entities;</li> <li>• a transaction; or</li> <li>• a specific product or issue of concern in the market.</li> </ul>	<p>Our sub-activities include:</p> <ul style="list-style-type: none"> <li>• making an initial regulatory assessment, as part of which we: <ul style="list-style-type: none"> <li>– accept breach reports or reports of misconduct, including receiving whistleblower disclosures about misconduct;</li> <li>– 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);</li> <li>– assess the nature and gravity of the suspected breach or misconduct;</li> <li>– undertake initial testing of ASIC’s jurisdiction; and</li> <li>– decide whether further action is required and, if so, prepare handover of referral materials;</li> </ul> </li> <li>• review, as part of which we: <ul style="list-style-type: none"> <li>– identify the risks of making a detailed inquiry for a single or thematic surveillance;</li> <li>– undertake stakeholder interviews and collect documentary information;</li> <li>– use ASIC’s compulsory information gathering powers (e.g. under s912C of the Corporations Act);</li> <li>– analyse and assess the information gathered; and</li> <li>– develop and publish supervision and surveillance reports;</li> </ul> </li> <li>• undertaking regulatory supervision, surveillance and monitoring, as part of which we: <ul style="list-style-type: none"> <li>– place dedicated people within large financial institutions to conduct surveillance and monitor governance as part of our close and continuous monitoring activities;</li> <li>– accept referrals for suspected, alleged or admitted breaches and misconduct;</li> <li>– gather and analyse information and initial evidence, which may lead to an investigation and/or litigation; and</li> <li>– use ASIC’s compulsory information gathering powers (e.g. under s912C); and</li> </ul> </li> <li>• publishing reports in response to findings of our supervision and surveillance.</li> </ul>

Activity	Activity description	Sub-activity overview
<b>Enforcement</b>	<p>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.</p> <p>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).</p> <p>We actively seek to recover our investigation and litigation costs directly from the entity involved when we are successful in a matter before the courts. The actual amount recovered will vary, as not all expenditure is recoverable (e.g. where the entity or person we took action against has insufficient assets to cover our costs). Generally, we are only able to recover costs when there is a court-based outcome.</p> <p>Recovered costs are then applied back to relevant subsectors, to offset against levy amounts.</p>	<p>Our sub-activities include:</p> <ul style="list-style-type: none"> <li>• undertaking investigations, as part of which we: <ul style="list-style-type: none"> <li>– accept referrals of alleged or admitted breaches and misconduct;</li> <li>– assess preliminary and detailed case theories;</li> <li>– 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);</li> <li>– obtain information and seize property;</li> <li>– collaborate and exchange information with other regulatory partners; and</li> <li>– convert information gathered into admissible evidence;</li> </ul> </li> <li>• 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);</li> <li>• undertaking litigation, as part of which we: <ul style="list-style-type: none"> <li>– consider evidence and relevant legal authorities;</li> <li>– develop, obtain and assess legal expert opinions;</li> <li>– decide on the merit of the case and determine which legal remedies will be sought;</li> <li>– for criminal matters, prepare briefs for the Commonwealth Director of Public Prosecutions and support ongoing case development;</li> <li>– for civil matters, draft and settle pleadings; and</li> <li>– attend court;</li> </ul> </li> <li>• handle appeals and Administrative Appeal Tribunal (AAT) reviews, as part of which we: <ul style="list-style-type: none"> <li>– draft or receive an appeal notice;</li> <li>– consider evidence and relevant legal authorities;</li> <li>– develop, obtain and assess legal expert opinions;</li> <li>– prepare appeal briefs and supervise process service; and</li> <li>– attend court and the AAT.</li> </ul> </li> </ul>

Activity	Activity description	Sub-activity overview
<b>Other regulatory activities</b>	<p>Our industry engagement activity seeks to set and maintain regulatory standards, better inform industry practices, and identify harms and potential harms in the market.</p> <p>Our educational activities aim to empower Australian investors and consumers to be in control of their financial lives. They also aim to promote the protection of consumer interests.</p> <p>We provide guidance to industry on how we will administer the law, through regulatory guides, consultation papers and information sheets. It is an important tool we use to respond to structural changes and complexity in the industry.</p> <p>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.</p>	<p>Our sub-activities include:</p> <ul style="list-style-type: none"> <li>• engagement with industry, as part of which we: <ul style="list-style-type: none"> <li>– attend industry liaison meetings and give presentations; and</li> <li>– respond to industry enquiries and requests for information.</li> </ul> </li> <li>• providing education, as part of which we: <ul style="list-style-type: none"> <li>– deliver and promote access to trusted and impartial financial information, tools and guidance for consumers and investors (especially vulnerable consumers) through the Moneysmart website; and</li> <li>– give speeches and presentations to industry and consumers.</li> </ul> </li> <li>• providing guidance, as part of which we: <ul style="list-style-type: none"> <li>– develop and consult on regulatory proposals;</li> <li>– give guidance on regulatory topics to enhance industry’s understanding of their legal obligations and how ASIC administers the law;</li> <li>– draft, consult and issue legislative instruments; and</li> <li>– decide on novel applications for exemptions from or modifications of the law.</li> </ul> </li> <li>• providing policy advice to support the policy agenda set by the Government. As part of this, we: <ul style="list-style-type: none"> <li>– research and analyse innovation, competition and emerging harms;</li> <li>– provide proposals for law reform and assist in its development;</li> <li>– identify and plan for the impact on external stakeholders and internal capabilities; and</li> <li>– provide submissions to parliamentary and Government inquiries on law reform issues.</li> </ul> </li> </ul>

- 46 We recover the cost of regulatory activities in Table 4 through industry funding levies. 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

- 47 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**

<b>Sector</b>	<b>Subsectors</b>	<b>Further discussion</b>
<b>Corporate</b> (includes auditors and liquidators, which are subject to separate fees and levies)	Corporations, including: <ul style="list-style-type: none"> <li>• listed corporations;</li> <li>• unlisted public companies;</li> <li>• large proprietary companies; and</li> <li>• small proprietary companies (to be charged through an increase to the annual review fee for proprietary companies from 1 July 2018).</li> </ul> Auditors of disclosing entities Registered company auditors Registered liquidators	Section D
<b>Deposit taking and credit</b>	Credit licensees, including: <ul style="list-style-type: none"> <li>• credit providers;</li> <li>• small and medium amount credit providers; and</li> <li>• credit intermediaries.</li> </ul> Deposit product providers Payment product providers Margin lenders	Section E
<b>Investment management, superannuation and related services</b>	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
<b>Market infrastructure and intermediaries</b>	Market infrastructure providers, including: <ul style="list-style-type: none"> <li>• Australian market licensees, including various types of market operators;</li> <li>• clearing and settlement (CS) facility operators;</li> <li>• Australian derivative trade repository operators;</li> <li>• exempt market operators;</li> <li>• credit rating agencies; and</li> <li>• benchmark administrator licensees</li> </ul> Market intermediaries, including: <ul style="list-style-type: none"> <li>• market participants;</li> <li>• securities dealers;</li> <li>• corporate advisers and over-the-counter (OTC) traders;</li> <li>• retail OTC derivatives issuers; and</li> <li>• wholesale electricity dealers</li> </ul>	Section G

Sector	Subsectors	Further discussion
<b>Financial advice</b>	<p>Australian financial services (AFS) licensees that provide:</p> <ul style="list-style-type: none"> <li>personal advice to retail clients on relevant financial products;</li> <li>personal advice to retail clients on products that are not relevant financial products;</li> </ul> <p>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 s910A of the Corporations Act).</p> <ul style="list-style-type: none"> <li>general advice only to retail or wholesale clients; and</li> <li>personal advice to wholesale clients only.</li> </ul>	Section H
<b>Insurance</b> (includes life and general insurance)	<p>Insurance product providers (including friendly societies)</p> <p>Insurance product distributors</p> <p>Risk management product providers</p>	Section I

## Changes to costs reporting in the CRIS

- 48 Since we published the last CRIS, we have made a number of key changes to how we report costs:
- We have removed the large financial institutions subsector. It was only intended to apply for the years beginning on 1 July 2018 and 1 July 2019 under the Cost Recovery Levy Regulations.
  - We now report costs relating to our work on consumer education under 'Other regulatory activities—Education'. The national financial capability policy function moved to Treasury in October 2020.  

Note: We will not include the costs associated with financial capability work (approximately \$0.5 million) in the actual regulatory costs for 2020–21.
  - We previously reported total estimated levies for each industry subsector. We are now reporting estimated cost recovery and statutory levies separately for greater clarity.
- 49 These changes will continue to apply in future years.

## 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 2020–21 regulatory costs to be recovered via industry funding levies is \$359.6 million.

The indicative industry funding 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

- 50 ASIC is committed to achieving our vision of a fair, strong and efficient financial system for all Australians. Our strategic planning framework allows us to identify and prioritise our areas of work. This framework underpins the development of our strategic priorities as outlined in our corporate plan and supports how we allocate our resources and in turn our regulatory costs.
- 51 The strategic planning 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 (using our threats, harms and behaviours framework); and
  - (c) testing the threats and harms that we have identified by consulting independent external advisory panels and experts.
- 52 We use a suite of regulatory tools and engage in a number of regulatory activities to address harms: see paragraphs 35–45 and Table 4.

## Outputs

- 53 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 2020–24: Focus 2020–21](#). Our performance measures are based on:
- (a) regulatory outcomes—which include the direct results from using our suite of regulatory tools; and
  - (b) market outcomes—which reflect the impact of our regulatory work on the markets and sectors we regulate, including on investors and consumers.
- 54 We report our performance measures in our annual performance statement, which forms part of our [Annual Report 2020–21](#). The report provides an analysis of our activities and outcomes achieved in each industry funding model sector for 2020–21.

## Costs of the regulatory charging activity

- 55 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

- 56 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.
- 57 See Table 2 for our forecast regulatory costs that will be recovered via industry funding levies. This amount includes operating expenditure (excluding depreciation, amortisation and fee-for-service activities), plus adjustments for other items (including allowance for capital expenditure).
- 58 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

- 59 Direct costs are allocated where they can be directly traced to a subsector and regulatory activity. By analysing each of our teams’ structures and



outputs, we allocate costs (such as direct employee expenses and direct supplier costs) to the relevant subsector and activity.

60 In the case of enforcement, these direct costs will include the ESA appropriation (as allocated by the Australian Government). It will also include direct costs relating to our other enforcement activities. We allocate costs to subsectors according to the nature of the issues involved in each enforcement and ESA matter. We then allocate indirect costs (discussed at paragraphs 62–64) to enforcement and ESA activities based on the proportion of efforts expended.

61 Where possible, we will seek to recover enforcement costs directly from entities involved (e.g. where there is a successful outcome in court). These recoveries are accounted for as ASIC’s own-source revenue and are used to offset the levies for relevant subsectors: see further discussion at paragraph 65(b).

### **Indirect costs**

62 Indirect costs represent all costs that are not directly attributable to a specific subsector or activity, but nevertheless go toward providing internal support that is essential to teams in the course of their work. We allocate indirect costs to stakeholder, enforcement and registry teams in proportion to the internal support they receive. We then charge these indirect costs to subsectors in the same manner as direct costs. We do not recover indirect costs attributable to ASIC’s registry business under industry funding: see paragraph 397.

63 Indirect costs include costs relating to:

- (a) operations support—this includes functions such as corporate affairs, finance, and people and development;
- (b) IT support—this includes the provision of IT infrastructure and support;
- (c) governance, central strategy and legal—this includes the work of the Commission and central management, as well as the work of strategy and risk management teams;
- (d) property and corporate services—this includes the provision and management of workplace infrastructure to facilitate the working environment.

64 We allocate indirect costs based on a detailed analysis of support costs. Our analysis identifies which costs can be allocated to which stakeholder, enforcement or registry team and their activities. For example, we allocate some IT costs based on storage capacity, length of processes and activity volumes. 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.

### Adjustments

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

- (a) Allowance for capital expenditure—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) Less costs funded by own-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. For example, if we are successful in a matter before the courts, we will actively seek to recover our costs directly from the entity involved. Any recoveries will be applied back to the subsector initially levied for the enforcement activity. The actual amount we are able to recover in these instances will vary, as not all costs can be recovered (e.g. where the entity or person we took action against does not have sufficient assets to pay the costs awarded). Generally, we are only able to recover costs when there is a court-based outcome.
- (c) Adjustments for over or under recovery in prior year—Under or over collection can occur due to a mismatch in the timing of when entities are registered or deregistered and the notification of these activities. It can also occur due to other changes in the prior-year leviable populations, costs or metrics. When the amount of levy collected in relation to a financial year exceeds or falls short of the amount of ASIC’s regulatory costs for the financial year, an upward or downward adjustment to our regulatory costs will be made in the following year.

### Step 2: Allocate subsector costs to individual entities

66 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 industry funding levies**

- 67 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.
- 68 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 industry funding levies**

- 69 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.
- 70 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.
- 71 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.
- 72 A specific explanation of how the formulas operate in relation to each subsector is set out in Sections D–I.

**Annual return**

- 73 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 regulatory costs using the flat and graduated levies.

**Indicative industry funding levies**

- 74 The tables in Sections D–I set out indicative industry funding levies for the 2020–21 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 2020–21 financial year and estimates of the population and business activity metrics for each subsector.

- 75 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.
- 76 In January 2022, we will issue invoices under the industry funding model for the 2020–21 financial year. We will calculate the actual levies in the January 2022 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 2020–21 as well as the actual business activity metrics submitted by regulated entities on the ASIC Regulatory Portal in July to September 2021. This will ensure that each industry subsector is only charged for the actual costs of regulating that subsector.
- 77 In some cases, we can arrange a payment plan to allow entities to make industry funding payments in instalments. We may consider waiving a levy only in exceptional circumstances. We have provided information for entities [seeking assistance in paying industry funding levies](#) on the ASIC website. The amounts that are waived are not recovered from other entities.
- 78 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 regulatory teams will update the proportion of their costs allocated to the industry subsectors they support during the year.
- 79 We cannot prevent change in our operating environment or in the conduct of regulated entities between the time the indicative levy is calculated and the end of the financial year. Furthermore, the nature of some enforcement matters could evolve during the year as they progress through the stages of investigation and litigation.

## D Corporate sector

### Key points

This section sets out estimated levies to recover our costs and the work we will do during 2020–21 in regulating each of the subsectors in the corporate sector. It also details the methodologies we use to calculate the levies that apply to:

- corporations (see paragraphs 83–101 and Table 6–Table 10);
- auditors (see paragraphs 102–111 and Table 11–Table 13); and
- registered liquidators (see paragraphs 112–116 and Table 14–Table 15).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 16 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

### Overview of the corporate sector

- 80 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.
- 81 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 to fair, strong and efficient financial markets.
- 82 In this section, we have included tables that set out 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 2020–21.

## Corporations

### Listed corporations

- 83 In 2020–21, we are focusing on promoting best practice corporate conduct through proactive oversight of corporate governance and transactions. Our work will include supervision and surveillance that targets corporate

governance practices, corporate transactions and disclosures, and the integrity of financial reporting.

- 84 We aim to protect investors by ensuring that they are treated fairly in corporate transactions. We will engage with investor and business groups to understand and respond to current issues and assist entities in applying the law, particularly in light of the impact of the COVID-19 pandemic. We will continue to provide relief, where appropriate, to help entities carry on their operations at a time of potential stress.
- 85 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.
- 86 We will also engage with external stakeholders and manage our relationships with them, such as:
- (a) ongoing liaison meetings with key stakeholders (e.g. through our advisory panels) on a range of corporate governance and corporate finance matters;
  - (b) holding half-yearly Corporate Finance liaison meetings; and
  - (c) publishing updates every quarter on our regulation of corporate finance and our response to novel relief applications.
- 87 Table 6 outlines our areas of focus in the listed corporations sector in 2020–21.

**Table 6: Focus areas in the listed corporations sector (2020–21)**

Focus area	Description
COVID-19 pandemic	<ul style="list-style-type: none"> <li>Monitoring the impact of the pandemic and assessing appropriate responses. Responses could include providing new or further relief (e.g. for capital raisings, shareholder meetings, and lodgement of financial reports).</li> <li>Efficiently processing and expediting individual relief applications to support the operational activities of regulated entities.</li> <li>Contributing to any policy response and law reform that may be required to help facilitate business.</li> <li>Responding to industry requests for guidance, and communicating with entities more broadly about our expectations of what is good and transparent conduct.</li> </ul>

Focus area	Description
Governance	<ul style="list-style-type: none"> <li>Engaging with companies regarding shortcomings identified in remuneration governance practices.</li> <li>Reviewing a sample of whistleblower policies and engage with selected companies to review the effectiveness of their whistleblower programs.</li> <li>Examining whether disclosures in corporate governance statements are effective in promoting a more informed market, and better and more transparent governance practices.</li> </ul>
Climate risk disclosure and governance	<ul style="list-style-type: none"> <li>Conducting surveillance to assess the extent to which listed companies have adopted appropriate governance structures to identify and manage climate-related risks.</li> <li>Conducting surveillance to assess the extent to which climate-related disclosure is useful in investor decision making.</li> <li>Identifying the key challenges faced by companies in this area.</li> <li>Conducting surveillance to assess the extent of 'greenwashing' that results in consumer harms.</li> </ul>
Real-time regulatory oversight of corporate finance transactions and other relevant disclosures	Assessing and reviewing ASX announcement and the structure and disclosure of regulated transactions lodged with ASIC. The purpose of this is to maintain an informed market, minimise the risk of investor harm, and contribute to other Australian Government priorities (such as Foreign Investment Review Board processes).
Enforcement of board or executive obligations	Identifying and taking appropriate action against misconduct, particularly at the board or executive level.
Financial reporting quality	Proactively and reactively reviewing the quality of financial reports of listed companies.

### Industry funding levy for listed corporations

88 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.

89 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.

90 The cost of regulating listed corporations in 2019–20 was \$51 million. The estimated levies to recover costs for 2020–21 are set out in Table 7.

**Table 7: Estimated levies to recover costs to regulate listed corporations sector**

<b>Expense</b>	<b>Cost recovery levy</b>	<b>Statutory levy</b>
Supervision and surveillance	\$4.904m	\$0.186m
Enforcement	\$11.453m	\$11.564m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.211m</i>	<i>\$0.002m</i>
<i>Education</i>	<i>\$0.285m</i>	<i>\$0.057m</i>
<i>Guidance</i>	<i>\$0.106m</i>	<i>\$0.001m</i>
<i>Policy advice</i>	<i>\$0.578m</i>	<i>\$0.005m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$5.323m</i>	<i>\$0.018m</i>
<i>IT support</i>	<i>\$5.168m</i>	<i>\$0.046m</i>
<i>Operations support</i>	<i>\$3.263m</i>	<i>\$0.153m</i>
<i>Property and corporate services</i>	<i>\$7.558m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$38.848m</b>	<b>\$12.031m</b>
Allowance for capital expenditure	\$2.949m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.872m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$42.670m</b>	<b>\$12.031m</b>

### Other company subsectors

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

### Industry funding levy for unlisted public companies

- 92 In 2020–21, we will focus on promoting best practice corporate conduct in the unlisted public companies subsector. Part of our governance work will include reviewing a sample of whistleblower policies and engaging with selected companies on the effectiveness of their whistleblower programs.
- 93 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.



- 94 There is no pro rata of the levy because the low annual levy means that pro rating would be administratively burdensome, disproportionately increasing costs to be passed on to the subsector.
- 95 The cost of regulating unlisted public companies in 2019–20 was \$5 million. The estimated levies to recover costs for 2020–21 are set out in Table 8.

**Table 8: Estimated levies to recover costs to regulate unlisted public companies**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.070m	\$0.003m
Enforcement	\$1.780m	\$1.208m
Other regulatory activities		
<i>Industry engagement</i>	(\$0.018m)	(\$0.000m)
<i>Education</i>	\$0.014m	\$0.003m
<i>Guidance</i>	(\$0.007m)	(\$0.000m)
<i>Policy advice</i>	\$0.011m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.631m	\$0.004m
<i>IT support</i>	\$0.554m	\$0.005m
<i>Operations support</i>	\$0.348m	\$0.016m
<i>Property and corporate services</i>	\$0.844m	\$0.000m
<b>Total operating expenditure</b>	<b>\$4.225m</b>	<b>\$1.238m</b>
Allowance for capital expenditure	\$0.530m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.190m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$4.945m</b>	<b>\$1.238m</b>

**Industry funding levy for large proprietary companies**

- 96 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 as pro rating would be administratively burdensome and would disproportionately increase costs to be passed on to the subsector.
- 97 The cost of regulating large proprietary companies in 2019–20 was \$3.9 million. The estimated levies to recover costs for 2020–21 are set out in Table 9.

**Table 9: Estimated levy to recover costs to regulate large proprietary companies**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.114m	\$0.004m
Enforcement	\$1.873m	\$0.511m
Other regulatory activities		
<i>Industry engagement</i>	(\$0.001m)	(\$0.000m)
<i>Education</i>	\$0.010m	\$0.002m
<i>Guidance</i>	\$0.002m	\$0.000m
<i>Policy advice</i>	\$0.039m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.506m	\$0.002m
<i>IT support</i>	\$0.435m	\$0.004m
<i>Operations support</i>	\$0.280m	\$0.013m
<i>Property and corporate services</i>	\$0.680m	\$0.000m
<b>Total operating expenditure</b>	<b>\$3.939m</b>	<b>\$0.536m</b>
Allowance for capital expenditure	\$0.245m	\$0.000m
Less costs funded by own-source revenue	(\$0.068m)	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.154m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$4.270m</b>	<b>\$0.536m</b>

**Industry funding levy for small proprietary companies**

- 98 In 2020–21, we will continue to engage with small business and government stakeholders on capacity building. We will particularly focus on the interruptions and losses suffered by small businesses as a result of the COVID-19 pandemic.
- 99 We will continue to target illegal phoenix activity by supporting legislative reforms and Government initiatives, and by conducting surveillance of potential illegal activities. Our work on phoenix activity is spread across several parts of ASIC and the recovery of our regulatory costs is not limited to the small proprietary companies sector.
- 100 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.

101 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.

Note: The annual review fee is a registry fee and is not charged within the Australian Government Charging Framework.

**Table 10: Estimated levies to recover costs to regulate small proprietary companies**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$2.703m	\$0.081m
Enforcement	\$6.993m	\$0.667m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.178m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.305m</i>	<i>\$0.057m</i>
<i>Guidance</i>	<i>\$0.027m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.066m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.934m</i>	<i>\$0.003m</i>
<i>IT support</i>	<i>\$0.631m</i>	<i>\$0.006m</i>
<i>Operations support</i>	<i>\$0.425m</i>	<i>\$0.020m</i>
<i>Property and corporate services</i>	<i>\$1.604m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$13.867m</b>	<b>\$0.833m</b>
Allowance for capital expenditure	\$0.412m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$14.279m</b>	<b>\$0.833m</b>

## Auditors

102 Auditors play a vital role in strengthening investor trust and confidence in the quality of financial reports. The regulation of auditors supports the operation of Australia's financial markets by helping to ensure 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.

- 103 Audit firm inspections and auditor supervision and surveillance are key compliance tools used by ASIC to influence 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 by referral to the CADB, or take other enforcement action.
- 104 In 2020–21, our work will aim to ensure auditors deliver professional and high-quality audits through experience and expertise, effective internal supervision and review, and robust accountability mechanisms. We will particularly focus on auditors' work in the context of the COVID-19 pandemic. We will conduct proactive and reactive supervision and surveillance of audit files, and work with the sector and other regulators to improve audit quality.
- 105 Table 11 outlines our areas of focus in the auditor sector in 2020–21.

**Table 11: Focus areas in auditor sector (2020–21)**

Focus area	Description
Audit quality	<ul style="list-style-type: none"> <li>Continuing to conduct audit file reviews for listed entities and other public interest entities using risk-based targeting.</li> <li>Reviewing the culture and talent at audit firms.</li> <li>Monitoring the impact of the pandemic on audit firms and their ability to conduct timely and effective audits.</li> <li>Providing information (e.g. on our website) to help auditors meet their obligations, taking into consideration the impact of the pandemic.</li> <li>Monitoring the approach to modified audit opinions and emphasis of matter paragraphs in the context of the pandemic.</li> <li>Addressing relevant recommendations from the Parliamentary Joint Committee on Corporations and Securities' <a href="#">Inquiry into the regulation of auditing in Australia</a> that may be supported in the Australian Government's response.</li> </ul>
Enforcement of audit requirements	Identifying and taking appropriate action against auditor misconduct.

### Industry funding levy for auditors of disclosing entities

- 106 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.

- 107 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.
- 108 The cost of regulating auditors of disclosing entities in 2019–20 was \$7.2 million. The estimated levies to recover costs for 2020–21 are set out in Table 12.

**Table 12: Estimated levies to recover costs to regulate auditors of disclosing entities**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$2.514m	\$0.075m
Enforcement	\$0.900m	\$0.012m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.021m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.014m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.162m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.832m</i>	<i>\$0.003m</i>
<i>IT support</i>	<i>\$0.649m</i>	<i>\$0.006m</i>
<i>Operations support</i>	<i>\$0.444m</i>	<i>\$0.021m</i>
<i>Property and corporate services</i>	<i>\$1.007m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$6.542m</b>	<b>\$0.116m</b>
Allowance for capital expenditure	\$0.419m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$6.961m</b>	<b>\$0.116m</b>

### Industry funding levy for registered company auditors

- 109 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 listed entities, other disclosing entities and unlisted entities, such as registered managed investment schemes (registered schemes), AFS

licensees, unlisted public companies and large proprietary companies. These activities may result in referrals of individual registered company auditors to the CADB or other actions.

- 110 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.
- 111 The cost of regulating registered company auditors in 2019–20 was \$3.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 13.

**Table 13: Estimated levies to recover costs to regulate registered company auditors**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.291m	\$0.009m
Enforcement	\$1.695m	\$0.080m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.017m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.007m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.035m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.470m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.375m</i>	<i>\$0.003m</i>
<i>Operations support</i>	<i>\$0.243m</i>	<i>\$0.011m</i>
<i>Property and corporate services</i>	<i>\$0.591m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$3.724m</b>	<b>\$0.105m</b>
Allowance for capital expenditure	\$0.208m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.070m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$4.002m</b>	<b>\$0.105m</b>

## Registered liquidators

- 112 Our regulation of registered liquidators seeks to ensure that they fulfil their role as fiduciaries diligently, independently and with creditors' interests central to their actions. Consequently, we focus on independence, competence and on ensuring that registered liquidators do not improperly gain from their appointments.
- 113 To achieve this, we will identify and prioritise actual and potential threats and harms to creditors, investors, and fair and efficient markets. We will particularly focus on threat and harms in the context of the COVID-19 pandemic and elevated financial distress. We will undertake risk-based, proactive and reactive supervision and surveillance of the sector to identify breaches of the law or professional standards, and take appropriate action. We will also work with the sector to improve the competence of registered liquidators.
- 114 Table 14 outlines our areas of focus in the registered liquidators subsector in 2020–21.

**Table 14: Focus areas in registered liquidators subsector (2020–21)**

Focus area	Description
Surveillance of high-risk registered liquidators	Conducting surveillance of high-risk registered liquidators. The purpose of the surveillance is to identify poor conduct, illegal phoenix activity and emerging industry risks.
Disciplinary and enforcement action against registered liquidators	Reviewing registered liquidator conduct, assessing reports of misconduct and taking disciplinary and enforcement action where appropriate.
Registered liquidator engagement	Supporting registered liquidators with guidance, information and stakeholder engagement (particularly in relation to the COVID-19 pandemic). Our focus is on registered liquidator independence, remuneration and competency.
COVID-19 pandemic insolvency policy response	<ul style="list-style-type: none"> <li>Releasing practical guidance to registered liquidators on ASIC's approach to regulation during the COVID-19 pandemic, and on legislative amendments made in response to the pandemic.</li> <li>Responding to Treasury requests for comments on or suggestions for law reforms, as they relate to registered liquidators and in response to the COVID-19 pandemic</li> <li>Developing processes and procedures for implementing law reform changes as they relate to registered liquidators and in response to the COVID-19 pandemic.</li> </ul> <p>Note: Recovery of ASIC's regulatory costs for the registered liquidator subsector does not include costs associated with insolvency law reform relating to companies.</p>

### Industry funding levy for registered liquidators

- 115 Registered liquidators will pay a minimum levy of \$2,500 and a variable amount, depending on each liquidator'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.
- 116 The cost of regulating registered liquidators in 2019–20 was \$6.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 15.

**Table 15: Estimated levies to recover costs to regulate registered liquidators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$1.525m	\$0.045m
Enforcement	\$1.487m	\$0.325m
Other regulatory activities		
<i>Industry engagement</i>	\$0.207m	\$0.000m
<i>Education</i>	\$0.091m	\$0.017m
<i>Guidance</i>	\$0.032m	\$0.000m
<i>Policy advice</i>	\$0.079m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$1.052m	\$0.004m
<i>IT support</i>	\$0.699m	\$0.006m
<i>Operations support</i>	\$0.473m	\$0.022m
<i>Property and corporate services</i>	\$1.032m	\$0.000m
<b>Total operating expenditure</b>	<b>\$6.677m</b>	<b>\$0.419m</b>
Allowance for capital expenditure	\$0.444m	\$0.000m
Less costs funded by own-source revenue	(\$0.034m)	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.046m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$7.133m</b>	<b>\$0.419m</b>



## Summary table of estimated industry funding levies for the corporate sector

**Table 16: Estimated industry funding levies for the corporate sector**

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Listed corporations	\$54.701m	2,112	<p><b>Market capitalisation</b></p> <p>An entity <i>listed</i> at the end of the financial year must multiply:</p> <ul style="list-style-type: none"> <li>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</li> <li>the number of securities in that class at that relevant time.</li> </ul> <p>An entity <i>unlisted</i> at the end of the financial year (but listed in the financial year) must multiply:</p> <ul style="list-style-type: none"> <li>the last price for the entity's main class of securities on the day before the entity stops being listed; and</li> <li>the number of securities in that class at that relevant time.</li> </ul> <p>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.</p>	\$4,000	<p>\$5m market capitalisation (minimum levy threshold)</p> <p>\$20bn market capitalisation (maximum levy threshold)</p>	<p>\$4,000 plus \$0.34 per \$10,000 of market capitalisation above \$5m. Maximum levy of \$676,030, for entities with a market capitalisation of greater than \$20bn</p>
Unlisted public companies	\$6.183m	14,945	Flat levy	N/A	N/A	\$414
Large proprietary companies	\$4.806m	9,468	<p>Flat levy</p> <p>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.</p>	N/A	N/A	\$508
Small proprietary companies	\$15.112m	2,749,187	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	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Auditors of disclosing entities	\$7.077m	122	<b>Audit fee revenue</b> 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: <ul style="list-style-type: none"> <li>a disclosing entity with quoted securities; or</li> <li>an entity controlled by a disclosing entity with quoted securities.</li> </ul> Note: Whether a disclosing entity controls another entity is decided in accordance with Australian Accounting Standard <a href="#">AASB 10 Consolidated financial statements</a> .	N/A	No threshold	\$127 per \$10,000 of fees paid or payable
Registered company auditors	\$4.107m	3,645	Flat levy	N/A	N/A	\$1,127
Registered liquidators	\$7.552m	664	<b>Number of external administration appointments and notifiable events</b> The sum of: <ul style="list-style-type: none"> <li>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) of the Cost Recovery Levy Regulations);</li> <li>the number of specified notifiable events entered on the <a href="#">Published notices website</a> by the entity (see reg 20(3)(c)); and</li> <li>the number of documents lodged with ASIC by the entity for:               <ul style="list-style-type: none"> <li>a notice of the outcome of a proposal to pass a resolution without a meeting; and</li> <li>an executed deed of company arrangement (see reg 20(3)(d)).</li> </ul> </li> </ul>	\$2,500	No threshold	\$2,500 plus an estimate of \$127 per appointment and notifiable event

## E Deposit taking and credit sector

### Key points

This section sets out estimated levies to recover our costs and the work we will do during 2020–21 in regulating each of the subsectors in the deposit taking and credit sector. It also details the methodologies we use to calculate the levies that apply to:

- credit licensees (see paragraphs 123–139 and Table 17–Table 20);
- deposit product providers (see paragraphs 140–143, Table 17 and Table 21);
- payment product providers (see paragraphs 144–148, Table 17 and Table 22); and
- margin lenders (see paragraphs 149–152, Table 17 and Table 23).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 24 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

- 117 The deposit taking and credit sector consists of credit licensees (including credit providers, credit intermediaries, small and medium amount credit providers and consumer lease providers) and AFS licensees (including deposit product providers, payment product providers and margin lenders).
- 118 We use the full suite of our regulatory tools to promote fairness and professionalism in this sector in order to bring about sound consumer outcomes. This includes taking enforcement action, where appropriate, to address misconduct. It also includes the use of our new tools, such as the product intervention power when there is a risk of significant consumer detriment.
- 119 In 2020–21, a particular focus is the protection of consumers during the heightened vulnerability resulting from the COVID-19 pandemic. ASIC-wide working groups will work to target scams and false and misleading advertising. We are also focused on supporting businesses as they carry out their operations during this challenging time. A key consideration across all of our work is how we can support the long-term economic recovery in Australia.
- 120 Where appropriate, we will engage in close and continuous monitoring of certain entities as part of our regulatory toolkit.

121 Table 17 outlines our areas of focus in the deposit taking and credit sector in 2020–21.

**Table 17: Focus areas in deposit taking and credit sector (2020–21)**

Focus area	Description
Predatory high-cost lending	<ul style="list-style-type: none"> <li>Communicating with payday lenders, lessors and industry bodies to set expectations about maintaining fair practices.</li> <li>Assessing changes to lending practices resulting from the COVID-19 pandemic, and using data from industry and commercial sources to identify trends in lending patterns.</li> <li>Conducting targeted surveillance on entities when there is a heightened risk or evidence of poor conduct.</li> <li>Increasing the use of rapid and disruptive enforcement action (e.g. injunctions and product intervention orders) to prevent predatory lending and punish breaches of the law.</li> </ul>
Product intervention power	<ul style="list-style-type: none"> <li>Consulting on and using the product intervention power, where appropriate, if there is a significant risk of consumer detriment (e.g. in relation to continuing credit contracts).</li> </ul>
Hardship assistance	<ul style="list-style-type: none"> <li>Monitoring the options provided by lenders to consumers experiencing hardship, with a focus on large and high-risk lenders (e.g. high-cost lenders and consumer lease providers).</li> <li>Engaging with lenders about the terms under which hardship assistance is provided and engaging with consumers about what happens once assistance ceases.</li> <li>Considering appropriate regulatory action to ensure that credit providers deal with hardship requests in accordance with credit licensee conduct obligations and/or hardship request processes under the National Credit Act.</li> </ul>
Financial Services Royal Commission recommendations	<p>Implementing the Financial Services Royal Commission recommendations relating to misconduct by mortgage brokers, including consulting on:</p> <ul style="list-style-type: none"> <li>a draft legislative instrument and information sheet on a reference checking protocol for mortgage brokers and financial advisers (see <a href="#">Consultation Paper 333</a> <i>Implementing the Royal Commission recommendations: Reference checking and information sharing</i> (CP 333)); and</li> <li>an updated <a href="#">Regulatory Guide 78</a> <i>Breach reporting by AFS licensees</i> (RG 78) that sets out revised breach reporting requirements; and</li> <li>on an information sheet about new requirements for financial advisers and mortgage brokers to investigate misconduct and notify and remediate affected clients.</li> </ul>
Governance	Preparing for the implementation of the Financial Accountability Regime and co-regulation of the regime with APRA.
Mortgage broker best interests duty	<ul style="list-style-type: none"> <li>Following the publication of <a href="#">Regulatory Guide 273</a> <i>Mortgage brokers: Best interests duty</i> (RG 273), continuing to engage with industry before reforms commence on 1 January 2021.</li> <li>Monitoring compliance with reforms from January 2021.</li> </ul>

Focus area	Description
Buy now pay later	<ul style="list-style-type: none"> <li>Reviewing and reporting on industry performance and regulation of buy now pay later services (see <a href="#">Report 672</a> <i>Buy now pay later: An industry update</i> (REP 672)).</li> <li>Engaging with the sector on its responses to the COVID-19 pandemic.</li> <li>Engaging with consumer representatives and closely monitor the use of small amount and alternative credit products, especially by vulnerable consumers.</li> </ul>
Debt collection review	Consulting on the oversight and compliance auditing practices by credit providers of contingent collectors and debt purchasers, to determine best practice models and guidelines.
Guarantee and co-debtor loans	Monitoring and analysing developments in guarantee and co-debtor loans.
ePayments Code	Reviewing and consulting on the ePayments Code to: <ul style="list-style-type: none"> <li>assess its fitness for purpose in the context of significant developments in financial technological innovation; and</li> <li>ensure the code is simple to apply and easy to understand.</li> </ul>
Recurrent collection of mortgage data	Analysing data already collected while industry engagement activities are deferred.

122 The tables in the next sections (Table 18–Table 23) 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 2020–21.

## Credit licensees

123 There are around 4,900 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), credit intermediaries such as mortgage and finance brokers, small and medium amount credit providers, and consumer lease providers.

124 We administer Australia’s consumer credit laws to improve consumer outcomes by ensuring lenders and brokers comply with their conduct and disclosure obligations. These obligations include general conduct requirements—such as the obligation to act efficiently, honestly and fairly—and specific requirements intended to reduce the extent to which consumers are sold products that do not meet their needs. The consumer credit laws also contain requirements that relate to conduct and consumer outcomes after a loan has been taken out.

- 125 Our regulatory work includes monitoring credit licensees' compliance with the National Credit Act and taking appropriate action in response to non-compliance. We engage with stakeholders to ensure risks are identified and addressed in a prompt manner. We also provide guidance to credit licensees about their legal obligations to promote certainty.
- 126 In 2020–21, a main focus of ASIC's regulatory work will be addressing risks and issues arising from the COVID-19 pandemic. This includes targeting predatory lending and working with lenders to ensure hardship assistance is provided in a fair and appropriate manner. We will also continue work to implement the recommendations of the Financial Services Royal Commission, including those relating to mortgage brokers. We will undertake thematic reviews and focused analysis of certain product segments, including the buy now pay later industry and guarantee and co-debtor loans.
- 127 We will work to reduce the inappropriate sale of products and poor consumer outcomes. This includes the use of our product intervention power when there is significant consumer detriment, as well as taking enforcement action.
- 128 We will also focus on technology and innovation, and on facilitating appropriate legislative reform. In this area we will monitor product developments, as well as engaging with new businesses through our [Innovation Hub](#).

### **Industry funding levies for credit licensees**

- 129 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.
- 130 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**

- 131 An entity that holds an Australian credit licence (credit licence) authorising it to engage in credit activities as a credit provider is part of this subsector.
- 132 All credit providers (including those that only provide credit under small and medium amount credit contracts—see paragraph 135) 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.

133 The cost of regulating credit providers in 2019–20 was \$27.3 million. The estimated levies to recover costs for 2020–21 are set out in Table 18.

**Table 18: Estimated levies to recover costs to regulate credit providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$6.713m	\$0.201m
Enforcement	\$4.949m	\$2.526m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.868m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.196m</i>	<i>\$0.118m</i>
<i>Guidance</i>	<i>\$0.392m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.831m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$2.891m</i>	<i>\$0.007m</i>
<i>IT support</i>	<i>\$2.328m</i>	<i>\$0.021m</i>
<i>Operations support</i>	<i>\$1.916m</i>	<i>\$0.090m</i>
<i>Property and corporate services</i>	<i>\$3.648m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$24.732m</b>	<b>\$2.963m</b>
Allowance for capital expenditure	\$1.642m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.229m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$26.604m</b>	<b>\$2.963m</b>

#### Small and medium amount credit providers

134 An entity is part of 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).

- 135 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 within the subsector are also part of the credit provider subsector and therefore have to pay the \$2,000 minimum levy applicable to that subsector.
- 136 The cost of regulating small and medium amount credit providers in 2019–20 was \$2 million. The estimated levies to recover costs for 2020–21 are set out in Table 19.

**Table 19: Estimated levies to recover costs to regulate small and medium amount credit providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.358m	\$0.011m
Enforcement	\$0.630m	\$0.010m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.058m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.013m</i>	<i>\$0.002m</i>
<i>Guidance</i>	<i>\$0.026m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.053m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.258m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.204m</i>	<i>\$0.002m</i>
<i>Operations support</i>	<i>\$0.155m</i>	<i>\$0.007m</i>
<i>Property and corporate services</i>	<i>\$0.310m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$2.066m</b>	<b>\$0.033m</b>
Allowance for capital expenditure	\$0.120m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.001m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$2.187m</b>	<b>\$0.033m</b>

#### Credit intermediaries

- 137 Entities that hold a credit licence authorising them to engage in credit activities other than as a credit provider are part of this subsector.



- 138 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.
- 139 The cost of regulating credit intermediaries in 2019–20 was \$6.9 million. The estimated levies to recover costs for 2020–21 are set out in Table 20.

**Table 20: Estimated levies to recover costs to regulate credit intermediaries**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$1.230m	\$0.037m
Enforcement	\$1.966m	\$0.346m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.191m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.043m</i>	<i>\$0.039m</i>
<i>Guidance</i>	<i>\$0.085m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.184m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.831m</i>	<i>\$0.002m</i>
<i>IT support</i>	<i>\$0.661m</i>	<i>\$0.006m</i>
<i>Operations support</i>	<i>\$0.503m</i>	<i>\$0.024m</i>
<i>Property and corporate services</i>	<i>\$1.011m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$6.705m</b>	<b>\$0.454m</b>
Allowance for capital expenditure	\$0.409m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.585m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$7.699m</b>	<b>\$0.454m</b>

## Deposit product providers

- 140 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 with an authorisation to deal in a financial product by issuing deposit products is part of this subsector.

- 141 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.

### Industry funding levy for deposit product providers

- 142 To recover our regulatory costs for the subsector, deposit product providers must pay a graduated levy based on the deposits the entity holds. 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.
- 143 The cost of regulating deposit product providers in 2019–20 was \$3.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 21.

**Table 21: Estimated levies to recover costs to regulate deposit product providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$2.002m	\$0.060m
Enforcement	\$0.324m	\$0.899m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.097m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.019m</i>	<i>\$0.003m</i>
<i>Guidance</i>	<i>\$0.050m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.178m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.301m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.270m</i>	<i>\$0.002m</i>
<i>Operations support</i>	<i>\$0.295m</i>	<i>\$0.014m</i>
<i>Property and corporate services</i>	<i>\$0.619m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$4.155m</b>	<b>\$0.979m</b>
Allowance for capital expenditure	\$0.345m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	(\$1.000m)
Adjustment for prior year (under or over recovery)	\$0.010m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$4.510m</b>	<b>(\$0.021m)</b>

## Payment product providers

- 144 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.
- 145 We will continue to monitor 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.
- 146 We will review and consult on the ePayments Code to assess its fitness for purpose amid significant developments in technological innovation in recent years. We will also contribute, as appropriate, to any changes to the law following the Council of Financial Regulators' review of the regulatory framework for stored value facilities.

### Industry funding levy for payment product providers

- 147 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.
- 148 The cost of regulating payment product providers in 2019–20 was \$1.3 million. The estimated levies to recover costs for 2020–21 are set out in Table 22.

**Table 22: Estimated levies to recover costs to regulate payment product providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.190m	\$0.006m
Enforcement	\$0.429m	\$0.990m
Other regulatory activities		
<i>Industry engagement</i>	\$0.031m	\$0.000m
<i>Education</i>	\$0.007m	\$0.001m
<i>Guidance</i>	\$0.014m	\$0.000m
<i>Policy advice</i>	\$0.028m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.169m	\$0.000m
<i>IT support</i>	\$0.149m	\$0.001m
<i>Operations support</i>	\$0.105m	\$0.005m
<i>Property and corporate services</i>	\$0.216m	\$0.000m

Expense	Cost recovery levy	Statutory levy
<b>Total operating expenditure</b>	<b>\$1.339m</b>	<b>\$1.004m</b>
Allowance for capital expenditure	\$0.123m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.026m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.488m</b>	<b>\$1.004m</b>

## Margin lenders

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

150 In 2020–21, we will continue to focus on using our regulatory tools to reduce the sale of inappropriate margin lending products to consumers.

### Industry funding levy for margin lenders

151 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.

152 The cost of regulating margin lenders in 2019–20 was \$0.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 23.

**Table 23: Estimated levies to recover costs to regulate margin lenders**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.040m	\$0.001m
Enforcement	\$0.001m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.006m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.003m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.006m</i>	<i>\$0.000m</i>

Expense	Cost recovery levy	Statutory levy
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.012m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.010m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.009m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.014m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.103m</b>	<b>\$0.002m</b>
Allowance for capital expenditure	\$0.007m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.109m</b>	<b>\$0.002m</b>

## Summary table of estimated industry funding levies for deposit taking and credit sector

**Table 24:** Estimated industry funding levies for the deposit taking and credit sector

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Credit providers	\$29.567m	1,096 (includes small and medium amount credit providers)	<b>Credit provided in the financial year</b> 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 \$0.54 per \$10,000 of credit provided above \$100m
Small and medium amount credit providers	\$2.220m	226*	<b>Credit provided in the financial year</b> The gross amount of credit provided under small and medium amount credit contracts.	N/A	No threshold	\$16.61 per \$10,000 of credit provided under small and medium credit contracts
Credit intermediaries	\$8.153m	4,653 (36,248 credit representatives)	<b>Credit representatives</b> 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 \$96.55 per credit representative
Deposit product providers	\$4.489m	211	<b>Total deposits</b> 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) \$1.71 per \$1m of total deposits above \$10m

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Payment product providers	\$2.491m	664	<b>Total revenue from payment product provider activity</b>  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 plus \$34.74 per \$100,000 of total revenue from payment product provider activity
Margin lenders	\$0.111m	24.64**	<b>Number of days authorised</b>  The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	\$4,518

Notes: \* The number of small and medium amount credit providers is based on 2019–20 figures.

\*\* To calculate the indicative levy for the margin lenders subsector, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (see paragraph 75).

## F Investment management, superannuation and related services sector

### Key points

This section sets out estimated levies to recover our costs and the work we will do during 2020–21 in regulating each of the subsectors in the investment management, superannuation and related services sector. It also details the methodologies we use to calculate the levies that apply to:

- superannuation trustees (see paragraphs 157–165 and Table 25–Table 26);
- responsible entities (see paragraphs 166–171 and Table 27–Table 28);
- operators of notified foreign passport funds and regulated former notified funds (see paragraphs 172–176);
- wholesale trustees (see paragraphs 177–180 and Table 29);
- custodians (see paragraphs 181–183 and Table 30);
- IDPS operators (see paragraphs 184–187 and Table 31);
- MDA providers (see paragraphs 188–191 and Table 32);
- traditional trustee company service providers (see paragraphs 192–195 and Table 33); and
- CSF intermediaries (see paragraphs 196–198).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 34 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

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

- (a) operate registered schemes (responsible entities);
- (b) operate a notified foreign passport fund or a regulated former notified fund (operators of notified foreign passport funds and regulated former notified funds);
- (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);
- (e) issue interests in MDA services (MDA providers);



- (f) operate an IDPS (IDPS operators);
  - (g) provide traditional trustee company services (traditional trustee company service providers); and
  - (h) provide a crowdfunding service (CSF intermediaries).
- 154 Registrable superannuation entity (RSE) licensees (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (SIS Act)) also fall within the investment management, superannuation and related services sector (as ‘superannuation trustees’).
- 155 We expend a large amount of regulatory effort within this industry sector because of the large number of interactions entities in this sector have with retail and institutional investors, and the potential harm to consumers, investors and markets. We are also focused on supporting entities as they carry out their operations amid the COVID-19 pandemic. A key consideration across all of our work is how we can support the long-term economic recovery in Australia.
- 156 In the following sections, Table 26 and Table 28–Table 33 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 2020–21.

## Superannuation trustees

- 157 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.
- 158 In 2020–21, we will seek to improve outcomes in superannuation:
- (a) by taking decisive regulatory and enforcement action to deter and punish misconduct;
  - (b) by supporting relevant legislative reforms, and engaging with industry on our regulatory expectations;
  - (c) through supervision and surveillance of superannuation trustees to minimise consumer harms. We will focus on whether trustees act in the best interests of members and treat them fairly; and
  - (d) by implementing the superannuation recommendations of the Financial Services Royal Commission and other reviews.
- 159 A focus in 2020–21 is to continue to work towards establishing ASIC as the primary regulator of conduct in superannuation, consistent with the Government’s response to the Financial Services Royal Commission recommendations. Our approach also considers the role of APRA as a

superannuation regulator, as well as the role of the Australian Taxation Office.

160 Where appropriate, we will engage in close and continuous monitoring of certain entities as part of our regulatory toolkit.

161 Table 25 outlines our areas of focus in the superannuation trustees subsector in 2020–21.

**Table 25: Focus areas in the superannuation trustees subsector (2020–21)**

Focus area	Description
ASIC's role as conduct regulator—law reform	Implementing legislative reforms that expand ASIC's role as conduct regulator for superannuation trustees.
Insurance in superannuation	<ul style="list-style-type: none"> <li>Continuing to review industry's progress on improving insurance outcomes for consumers, particularly default insurance.</li> <li>Publishing a report of findings about value metrics to promote better measurement by industry of consumer outcomes.</li> </ul>
COVID-19 focused surveillance work	<ul style="list-style-type: none"> <li>Conducting surveillance to ensure that our temporary relief measure to allow trustees to provide more affordable and accessible advice to members about the early release of superannuation is not abused (see <a href="#">ASIC Corporations (COVID-19—Advice-related Relief) Instrument 2020/355</a>).</li> <li>Conducting a thematic surveillance of trustee communications to members about the impact of the COVID-19 pandemic and resultant legislative measures on superannuation funds and member benefits.</li> <li>Monitoring the impact of the COVID-19 pandemic on the insurance offerings of superannuation trustees. Engaging with trustees when we identify issues and taking appropriate regulatory action, including working with APRA as appropriate.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Preparing for the implementation of the Financial Accountability Regime and co-regulation of the regime with APRA.</li> <li>Reviewing a sample of whistleblower policies and engaging with selected companies to review the effectiveness of their whistleblower programs.</li> </ul>
Implementing Financial Services Royal Commission and Productivity Commission law reform recommendations	<p>Helping Treasury develop and implement legislative reforms stemming from the <a href="#">Financial Services Royal Commission</a> and the Productivity Commission <a href="#">Inquiry into superannuation</a>. This includes:</p> <ul style="list-style-type: none"> <li>the proposed conduct accountability regime</li> <li>oversight of advice fee deductions from superannuation accounts</li> <li>anti-hawking prohibitions; and</li> <li>other reforms.</li> </ul>

### Industry funding levy for superannuation trustees

162 An entity is part of the superannuation trustees subsector if the entity is an RSE licensee (within the meaning of the SIS Act).

- 163 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 registrable superannuation entities operated by the trustee exceeds \$250 million, that trustee will have to pay a graduated levy amount.
- 164 The graduated levy amount is equal to the value of assets in all registrable 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 registrable superannuation entity operated by the trustee. Employer-sponsored receivables are also excluded from total assets for the purposes of calculating the levy.
- 165 The cost of regulating superannuation trustees in 2019–20 was \$23.8 million. The estimated levies to recover costs for 2020–21 are set out in Table 26.

**Table 26: Estimated levies to recover costs to regulate superannuation trustees**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$4.778m	\$0.142m
Enforcement	\$4.370m	\$6.098m
Other regulatory activities		
<i>Industry engagement</i>	\$0.391m	\$0.000m
<i>Education</i>	\$0.089m	\$0.031m
<i>Guidance</i>	\$0.719m	\$0.000m
<i>Policy advice</i>	\$1.255m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$2.362m	\$0.005m
<i>IT support</i>	\$2.263m	\$0.020m
<i>Operations support</i>	\$1.774m	\$0.083m
<i>Property and corporate services</i>	\$3.360m	\$0.000m
<b>Total operating expenditure</b>	<b>\$21.362m</b>	<b>\$6.379m</b>
Allowance for capital expenditure	\$1.669m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	(\$0.250m)
Adjustment for prior year (under or over recovery)	\$0.054m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$23.084m</b>	<b>\$6.129m</b>

## Responsible entities

- 166 Amid the COVID-19 pandemic, we will continue to proactively identify and address harms to consumers, investors and markets in the managed investment scheme sector. We will undertake risk-based surveillance, examine market change and practices, and issue guidance to industry. We will use the full suite of our regulatory tools and take enforcement action where necessary.
- 167 We will continue to support law reform, contribute to policy development, and engage with and provide guidance to industry. Where appropriate, we will engage in close and continuous monitoring of certain entities as part of our regulatory toolkit.
- 168 Table 27 outlines our areas of focus in the responsible entities subsector in 2020–21.

**Table 27: Focus areas in responsible entities subsector (2020–21)**

Focus area	Description
Hardship and rolling withdrawal relief for frozen funds	<p>Dealing with an expected increase in applications for hardship and rolling withdrawal relief for frozen funds by:</p> <ul style="list-style-type: none"> <li>• establishing eligibility criteria and standard relief;</li> <li>• exploring a potential industry-wide solution, such as making a legislative instrument;</li> <li>• communicating changes to responsible entities and consumers;</li> <li>• processing all hardship and rolling withdrawal relief applications in a timely and efficient manner; and</li> <li>• collecting and publishing statistics on frozen funds for ongoing monitoring of liquidity issues.</li> </ul>
Labelling of funds	<p>Ensuring funds are true to label, so that consumers are accurately informed. We will do this by:</p> <ul style="list-style-type: none"> <li>• monitoring advertising and website promotions of managed funds;</li> <li>• testing advertising and promotions against funds' formal disclosure documents, constitutions and underlying assets (e.g. comparing redemption offers against fund liquidity); and</li> <li>• taking regulatory action as necessary when the advertising and promotions to investors are not consistent with the underlying documents and assets of the fund.</li> </ul>

Focus area	Description
Resilience of managed funds	<ul style="list-style-type: none"> <li>Continuing work on contingency plans that allow ASIC to respond effectively in the event of a collapse of a responsible entity or managed investment scheme.</li> <li>Monitoring the liquidity challenges of responsible entities and engaging with industry stakeholders to ensure fair business standards and that responsible entities comply with their obligations.</li> <li>Helping responsible entities in distress, with a key focus on protecting and promoting the interests of members.</li> <li>Taking regulatory action and exercising ASIC's powers, where appropriate, against responsible entities no longer fit or able to operate managed investment schemes (e.g. through licence suspension or cancellation).</li> <li>Working with administrators and liquidators of insolvent responsible entities.</li> <li>Taking enforcement action, where appropriate, to address breaches of the law.</li> </ul>
Valuation practices	<ul style="list-style-type: none"> <li>Identifying schemes where assets are not being appropriately valued or there is misconduct arising from valuations.</li> <li>Identifying areas for potential revision of existing guidance on valuation practices.</li> </ul>
Time-sharing schemes	<ul style="list-style-type: none"> <li>Making a legislative instrument to introduce the remainder of proposed amendments to the policy settings for time-sharing schemes, including to facilitate hardship withdrawals and require enhanced disclosure.</li> <li>Updating and releasing <a href="#">Regulatory Guide 160</a> <i>Time-sharing schemes</i> (RG 160) to reflect amendments.</li> </ul>
Recurrent collection of managed funds data	<ul style="list-style-type: none"> <li>Continuing to analyse pilot data while industry engagement activities in relation to the recurrent managed funds data pilot are deferred.</li> <li>Considering use and access of data to support regulatory work.</li> </ul>
Asia Region Funds Passport (ARFP)	<ul style="list-style-type: none"> <li>Representing Australia on the ARFP Joint Committee, which is the governing body of the Asia Region Funds Passport and responsible for its implementation</li> <li>Supporting initial applications, notifications and the maintenance process for any new passport funds in Australia.</li> </ul>
Competition in investment management	Conducting a review of competition in the investment management industry.

## Industry funding levy for responsible entities

- 169 Entities that hold an AFS licence authorising them to operate a registered scheme are part of the responsible entities subsector.
- 170 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.

171 The cost of regulating responsible entities in 2019–20 was \$23.8 million. The estimated levies to recover costs for 2020–21 are set out in Table 28.

**Table 28: Estimated levies to recover costs to regulate responsible entities**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$1.650m	\$0.049m
Enforcement	\$4.288m	\$6.491m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.342m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.080m</i>	<i>\$2.209m</i>
<i>Guidance</i>	<i>\$0.885m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.760m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$2.907m</i>	<i>\$0.009m</i>
<i>IT support</i>	<i>\$2.170m</i>	<i>\$0.019m</i>
<i>Operations support</i>	<i>\$1.643m</i>	<i>\$0.077m</i>
<i>Property and corporate services</i>	<i>\$3.556m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$18.283m</b>	<b>\$8.855m</b>
Allowance for capital expenditure	\$1.569m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.237m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$20.089m</b>	<b>\$8.855m</b>

## Operators of notified foreign passport funds and regulated former notified funds

172 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.

173 In 2020–21, we will continue implementing regulatory arrangements giving effect to the passport funds regime. We will also continue to implement registry processes for participating operators of Australian and foreign passport funds and their customers.

174 We represent Australia on the ARFP Joint Committee—the governing body responsible for the implementation of the Asia Region Funds Passport.

### **Industry funding levy for operators of notified foreign passport funds and regulated former notified funds**

175 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.

176 There are currently no entities in this subsector and there are consequently no levies estimated to recover regulatory costs.

## **Wholesale trustees**

177 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 is part of the wholesale trustee subsector.

178 In 2020–21, we will continue to monitor and conduct proactive supervision and surveillance of AFS licensees' compliance with their licence conditions and any conduct that may result in harms to investors.

### **Industry funding levy for wholesale trustees**

179 Wholesale trustees must pay a graduated levy. A wholesale trustee will pay a minimum levy of \$1,000. The graduated component will depend on the entity's 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.

180 The cost of regulating wholesale trustees in 2019–20 was \$2.6 million. The estimated levies to recover costs for 2020–21 are set out in Table 29.

**Table 29: Estimated levies to recover costs to regulate wholesale trustees**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.126m	\$0.004m
Enforcement	\$1.022m	\$0.502m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.013m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.002m</i>	<i>\$0.067m</i>
<i>Guidance</i>	<i>\$0.029m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.028m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.308m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.246m</i>	<i>\$0.002m</i>
<i>Operations support</i>	<i>\$0.169m</i>	<i>\$0.008m</i>
<i>Property and corporate services</i>	<i>\$0.399m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$2.341m</b>	<b>\$0.584m</b>
Allowance for capital expenditure	\$0.160m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.316m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$2.818m</b>	<b>\$0.584m</b>

## Custodians

181 In 2020–21, we will continue to monitor and conduct proactive supervision and surveillance of AFS licensees' compliance with their licence conditions and any conduct that may result in harm to investors.

### Industry funding levy for custodians

182 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.



183 The cost of regulating custodians in 2019–20 was \$0.6 million. The estimated levies to recover costs for 2020–21 are set out in Table 30.

**Table 30: Estimated levies to recover costs to regulate custodians**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.127m	\$0.004m
Enforcement	\$0.004m	\$0.142m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.013m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.003m</i>	<i>\$0.080m</i>
<i>Guidance</i>	<i>\$0.032m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.029m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.075m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.054m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.048m</i>	<i>\$0.002m</i>
<i>Property and corporate services</i>	<i>\$0.099m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.484m</b>	<b>\$0.230m</b>
Allowance for capital expenditure	\$0.046m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.027m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.557m</b>	<b>\$0.230m</b>

## IDPS operators

184 Entities that hold an AFS licence authorising them to operate an IDPS are part of the IDPS operators subsector.

185 In 2020–21, we will monitor the IDPS operators subsector to identify and address harms to consumers, investors and markets. This includes our work on proposals for standardised fees and costs disclosure for platforms.

### Industry funding levy for IDPS operators

186 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.

187 The cost of regulating IDPS operators in 2019–20 was \$0.7 million. The estimated levies to recover costs for 2020–21 are set out in Table 31.

**Table 31: Estimated levies to recover costs to regulate IDPS operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.122m	\$0.004m
Enforcement	\$0.006m	\$0.314m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.012m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.003m</i>	<i>\$0.080m</i>
<i>Guidance</i>	<i>\$0.032m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.028m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.072m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.054m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.047m</i>	<i>\$0.002m</i>
<i>Property and corporate services</i>	<i>\$0.098m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.475m</b>	<b>\$0.401m</b>
Allowance for capital expenditure	\$0.053m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.005m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.533m</b>	<b>\$0.401m</b>

## MDA providers

188 An entity is part of 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.

189 In 2020–21, we will monitor the MDA provider subsector to identify and address harms or potential harms to consumers, investors and markets.

### Industry funding levy for MDA providers

190 A 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.

191 The cost of regulating MDA providers in 2019–20 was \$1.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 32.

**Table 32: Estimated levies to recover costs to regulate MDA providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.175m	\$0.005m
Enforcement	\$0.134m	\$0.275m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.024m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.005m</i>	<i>\$0.154m</i>
<i>Guidance</i>	<i>\$0.062m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.053m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.163m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.117m</i>	<i>\$0.001m</i>
<i>Operations support</i>	<i>\$0.097m</i>	<i>\$0.005m</i>
<i>Property and corporate services</i>	<i>\$0.205m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$1.035m</b>	<b>\$0.440m</b>
Allowance for capital expenditure	\$0.091m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.058m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.183m</b>	<b>\$0.440m</b>

## Traditional trustee company service providers

192 In 2020–21, we will continue to monitor traditional trustee company service providers, including their compliance with obligations in Ch 5D of the Corporations Act. Where we identify a potential breach of the law or a potential harm, we will determine the most appropriate response.

### Industry funding levy for traditional trustee company service providers

- 193 Entities that hold an AFS licence authorising them to provide traditional trustee company services are part of the traditional trustee company service providers subsector.
- 194 A 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.
- 195 The cost of regulating traditional trustee company service providers in 2019–20 was \$0.4 million. The estimated levies to recover costs for 2020–21 are set out in Table 33.

**Table 33: Estimated levies to recover costs to regulate traditional trustee company service providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.057m	\$0.009m
Enforcement	(\$0.009m)	(\$0.001m)
Other regulatory activities		
<i>Industry engagement</i>	(\$0.006m)	(\$0.001m)
<i>Education</i>	\$0.008m	\$0.003m
<i>Guidance</i>	(\$0.002m)	(\$0.000m)
<i>Policy advice</i>	\$0.004m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.049m	\$0.000m
<i>IT support</i>	\$0.061m	\$0.001m
<i>Operations support</i>	\$0.038m	\$0.002m
<i>Property and corporate services</i>	\$0.080m	\$0.000m
<b>Total operating expenditure</b>	<b>\$0.280m</b>	<b>\$0.012m</b>
Allowance for capital expenditure	\$0.022m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.302m</b>	<b>\$0.012m</b>

## CSF intermediaries

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

197 In 2020–21, 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.

### Industry funding levy for CSF intermediaries

198 There is currently 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 estimated industry funding levies for the investment management, superannuation and related services sector

Table 34: Estimated industry funding levies for the investment management, superannuation and related services sector

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Superannuation trustees	\$29.213m	114	<b>Adjusted total assets</b> The total value of assets in all registrable superannuation entities operated by the entity at the end of the 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 \$16.06 per \$1m of total assets above \$250m
Responsible entities	\$28.944m	449	<b>Adjusted total assets</b> The total value of assets in all registered schemes operated by the entity at the end of the 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 \$20.08 per \$1m of total assets above \$10m
Wholesale trustees	\$3.402m	1,693	<b>Adjusted total assets</b> 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 \$2.82 per \$1m of total assets

Subsectors	Estimated 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	<b>Australian assets</b>  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	\$0.787m	1,126	Flat levy	N/A	N/A	\$699
IDPS operators	\$0.934m	86	<b>Revenue from IDPS activity</b>  The levy metric will be the sum of: <ul style="list-style-type: none"> <li>the amount of gross revenue received from IDPS activities undertaken under the entity's licence in the financial year; and</li> <li>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).</li> </ul>	\$10,000	No threshold	\$10,000 plus \$1.02 per \$10,000 of gross revenue
MDA providers	\$1.623m	243.58*	<b>Number of days authorised</b>  The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	\$6,663
Traditional trustee company service providers	\$0.314m	11.32*	<b>Number of days authorised</b>  The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	\$27,774

Note: \* To calculate the indicative levy for the MDA providers and traditional trustee company service providers subsector, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (see paragraph 75).

## G Market infrastructure and intermediaries sector

### Key points

This section details estimated levies to recover our costs and the work we will do during 2020–21 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 206–232 and Table 35–Table 42);
- clearing and settlement (CS) facility operators (see paragraphs 233–248, Table 35, Table 44–Table 48);
- Australian derivative trade repository operators (see paragraphs 249–253, Table 35 and Table 49);
- exempt market operators (see paragraphs 254–258, Table 35 and Table 50);
- credit rating agencies (see paragraphs 259–263, Table 35 and Table 51);
- benchmark administrator licensees (see paragraphs 264–266, Table 35 and Table 52);
- market participants (see paragraphs 273–280 and Table 53–Table 55);
- securities dealers (see paragraphs 281–284, Table 53 and Table 56);
- corporate advisers and OTC traders (see paragraphs 285–292, Table 53, and Table 57–Table 58);
- retail OTC derivatives issuers (see paragraphs 293–298, Table 53 and Table 59); and
- wholesale electricity dealers (see paragraphs 299–304, Table 53 and Table 60).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 61 and Table 62 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

- 199 The market infrastructure and intermediaries sector consists of market infrastructure providers and market intermediaries.
- 200 In this section, Table 36–Table 52 and Table 54–Table 60 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 2020–21.



## Market infrastructure providers

- 201 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.
- 202 Our supervision and surveillance of market infrastructure providers is critical to maintaining the resilience, integrity and stability of financial markets. Our role is to oversee these providers' compliance with their obligations under the financial services laws, to help ensure good consumer and investor outcomes and maintain trust and integrity in Australia's financial markets.
- 203 As part of our role, we undertake reviews of the performance and compliance of market infrastructure providers, which includes real-time frontline supervision and surveillance of trading on licensed domestic markets, periodic assessments, strategic market-wide and individual entity reviews, ongoing engagement, and periodic remediation. Through this we seek to efficiently and effectively identify harms, provide faster feedback and guidance to providers, and take further regulatory action where needed.
- 204 We are also focused on supporting entities as they carry out their operations during a challenging time. A key consideration across all of our work is how we can support the long-term economic recovery in Australia.
- 205 Table 35 sets out our areas of focus in 2020–21.

**Table 35: Focus areas in market infrastructure providers sector (2020–21)**

Focus area	Description
Operational resilience	<ul style="list-style-type: none"> <li>Identifying risks to the operational resilience of financial markets, including enhanced monitoring of market infrastructure providers (e.g. financial stress, conduct under business continuity plan arrangements, and technology and operational risks).</li> <li>Taking action to intervene when required.</li> <li>Considering operational challenges from cross-border activities.</li> </ul>
CS facility stability	<ul style="list-style-type: none"> <li>Conducting enhanced monitoring of licensed CS facilities' management, governance and mitigation of operational and financial risks.</li> <li>Engaging with other related service providers, such as share registries, on COVID-19 pandemic planning and operational capabilities.</li> </ul>
Trade count and order size	<p>Taking action to prevent excessive trade counts in the current volatile environment threatening the operational integrity of market infrastructure. This action includes:</p> <ul style="list-style-type: none"> <li>conducting data analysis on average trade sizes;</li> <li>reviewing the broader trends in trading activity (including small order and trade size and the closing auction volume); and</li> <li>consulting, where appropriate, with industry on any proposed regulatory changes and interventions.</li> </ul>

Focus area	Description
Enhanced market surveillance capability	Upgrading ASIC's real-time surveillance system and expand and automate its capability to monitor wholesale OTC markets.
Enhanced supervision for market infrastructure	Continuing to closely supervise the most high-risk and complex market infrastructure providers, while adapting our supervisory approach to respond to the COVID-19 environment.
Financial market infrastructure regulatory reforms	Drafting technical documentation and advice to support the Australian Government's implementation of legislative changes to the financial market infrastructure regulatory regime.
Crypto-assets and emerging digital threats	<ul style="list-style-type: none"> <li>• Conducting surveillance of high-risk crypto-asset activities and monitoring emerging digital threats.</li> <li>• Deterring scams involving crypto-assets targeting retail investors, and punishing misconduct. Helping legitimate crypto-asset businesses understand laws and regulations.</li> <li>• Working with international regulators to promote policy harmonisation.</li> </ul>

### Australian market licensees

- 206 For domestic market licensees, our activities include real-time frontline supervision of trading, market assessments, strategic market reviews, ongoing engagement, and periodic remediation reviews.
- 207 For overseas 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.
- 208 In 2020–21, we will continue to identify potential harms and supervise compliance, including licensees' management of conflicts of interest and financial risk.

### Industry funding levy for large securities exchange operators

- 209 An entity that operates a market where 10 million or more transactions in securities are entered on the market in the financial year is part of the large securities exchange operators subsector.
- 210 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.

- 211 The cost of regulating large securities exchange operators in 2019–20 was \$4.2 million. The estimated levies to recover costs for 2020–21 are set out in Table 36.

**Table 36: Estimated levies to recover costs to regulate large securities exchange operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.710m	\$0.036m
Enforcement	\$0.057m	\$0.249m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.212m</i>	<i>\$0.004m</i>
<i>Education</i>	<i>\$0.006m</i>	<i>\$0.001m</i>
<i>Guidance</i>	<i>\$0.101m</i>	<i>\$0.002m</i>
<i>Policy advice</i>	<i>\$0.240m</i>	<i>\$0.005m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.444m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.356m</i>	<i>\$0.003m</i>
<i>Operations support</i>	<i>\$0.289m</i>	<i>\$0.014m</i>
<i>Property and corporate services</i>	<i>\$0.538m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$2.952m</b>	<b>\$0.315m</b>
Allowance for capital expenditure	\$0.244m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$3.196m</b>	<b>\$0.315m</b>

#### Industry funding levy for large futures exchange operators

- 212 An entity that operates a market where 10 million or more futures transactions are entered into on the market in the financial year is part of 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.
- 213 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.
- 214 The cost of regulating large futures exchange operators in 2019–20 was \$1.5 million. The estimated levies to recover costs for 2020–21 are set out in Table 37.

**Table 37: Estimated levies to recover costs to regulate large futures exchange operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.275m	\$0.016m
Enforcement	\$0.026m	\$0.001m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.083m</i>	<i>\$0.002m</i>
<i>Education</i>	<i>\$0.002m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.042m</i>	<i>\$0.001m</i>
<i>Policy advice</i>	<i>\$0.112m</i>	<i>\$0.003m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.195m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.153m</i>	<i>\$0.001m</i>
<i>Operations support</i>	<i>\$0.128m</i>	<i>\$0.006m</i>
<i>Property and corporate services</i>	<i>\$0.234m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$1.250m</b>	<b>\$0.032m</b>
Allowance for capital expenditure	\$0.104m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.354m</b>	<b>\$0.032m</b>

#### Industry funding levy for small futures exchange operators

- 215 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 is part of 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.
- 216 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.
- 217 The cost of regulating small futures exchange operators in 2019–20 was \$0.5 million. The estimated levies to recover costs for 2020–21 are set out in Table 38.

**Table 38: Estimated levies to recover costs to regulate small futures exchange operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.013m	\$0.001m
Enforcement	\$0.001m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.004m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.002m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.004m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.008m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.006m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.005m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.009m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.051m</b>	<b>\$0.001m</b>
Allowance for capital expenditure	\$0.004m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.484m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.538m</b>	<b>\$0.001m</b>

#### Industry funding levy for small securities exchange operators

- 218 An entity that operates a market where less than 10 million transactions in securities are entered into on the market in the financial year is part of 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.
- 219 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.
- 220 The cost of regulating small securities exchange operators in 2019–20 was \$0.5 million. The estimated levies to recover costs for 2020–21 are set out in Table 39.

**Table 39: Estimated levies to recover costs to regulate small securities exchange operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.085m	\$0.005m
Enforcement	\$0.008m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.025m</i>	<i>\$0.001m</i>
<i>Education</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.013m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.035m</i>	<i>\$0.001m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.060m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.048m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.040m</i>	<i>\$0.002m</i>
<i>Property and corporate services</i>	<i>\$0.073m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.387m</b>	<b>\$0.010m</b>
Allowance for capital expenditure	\$0.032m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.420m</b>	<b>\$0.010m</b>

**Industry funding levy for small securities exchange operators with self-listing function only**

- 221 An entity that operates a market during a financial year where only ordinary shares of the entity can be traded is part of this subsector. However, an entity will not be part of 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.
- 222 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.
- 223 The cost of regulating small securities exchange operators with self-listing function only in 2019–20 was \$0.002 million. The estimated levies to recover costs for 2020–21 are set out in Table 40.

**Table 40: Estimated levies to recover costs to regulate small securities exchange operators with self-listing function only**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.000m	\$0.000m
Enforcement	\$0.000m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.002m</b>	<b>\$0.000m</b>
Allowance for capital expenditure	\$0.000m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.002m</b>	<b>\$0.000m</b>

**Industry funding levy for new specialised market operators**

- 224 An entity is part of 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.
- 225 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.
- 226 The cost of regulating new specialised market operators in 2019–20 was \$0.05 million. The estimated levies to recover costs for 2020–21 are set out in Table 41.

**Table 41: Estimated levies to recover costs to regulate new specialised market operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.001m	\$0.000m
Enforcement	\$0.000m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.007m</b>	<b>\$0.000m</b>
Allowance for capital expenditure	\$0.001m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.007m</b>	<b>\$0.000m</b>

**Industry funding levy for established specialised market operators**

- 227 An entity is part of 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.
- 228 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.



- 229 The cost of regulating established specialised market operators in 2019–20 was \$0.6 million. The estimated levies to recover costs for 2020–21 are set out in Table 42.

**Table 42: Estimated levies to recover costs to regulate established specialised market operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.092m	\$0.006m
Enforcement	\$0.010m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.028m</i>	<i>\$0.001m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.015m</i>	<i>\$0.001m</i>
<i>Policy advice</i>	<i>\$0.052m</i>	<i>\$0.002m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.080m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.064m</i>	<i>\$0.001m</i>
<i>Operations support</i>	<i>\$0.054m</i>	<i>\$0.003m</i>
<i>Property and corporate services</i>	<i>\$0.098m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.494m</b>	<b>\$0.014m</b>
Allowance for capital expenditure	\$0.043m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.538m</b>	<b>\$0.014m</b>

#### Industry funding levy for overseas market operators

- 230 Entities that operate an overseas market that are licensed under s795B(2) of the Corporations Act is part of the overseas market operators subsector.
- 231 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.
- 232 The cost of regulating overseas market operators in 2019–20 was \$0.2 million. The estimated levies to recover costs for 2020–21 are set out in Table 43.

**Table 43: Estimated levies to recover costs to regulate overseas market operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.041m	\$0.003m
Enforcement	\$0.004m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.012m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.007m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.021m</i>	<i>\$0.001m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.033m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.027m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.022m</i>	<i>\$0.001m</i>
<i>Property and corporate services</i>	<i>\$0.041m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.208m</b>	<b>\$0.006m</b>
Allowance for capital expenditure	\$0.018m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.226m</b>	<b>\$0.006m</b>

### CS facility operators

- 233 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.
- 234 In 2020–21, our work will include conducting enhanced monitoring of licensed CS facilities' management, governance and mitigation of operational and financial risks. We will supervise the implementation of new infrastructure to replace the existing CHES cash equities clearing and settlement system to minimise risks and promote competition.
- 235 We will also engage with other service providers, such as share registries, on COVID-19 pandemic planning and operational capabilities.

**Industry funding levies for CS facility operators**

- 236 There are five subsectors for CS facility operators, depending on whether:
- (a) the CS facility they operate fall into one of four tiers; or
  - (b) the entity is exempt from holding a CS facility licence.
- 237 Determining which of the four tiers a CS facility is part of 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.
- 238 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*
- 239 An entity is part of 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.
- 240 The cost of regulating Tier 1 CS facility operators in 2019–20 was \$1.9 million. The estimated levies to recover costs for 2020–21 are set out in Table 44.

**Table 44: Estimated levies to recover costs to regulate Tier 1 CS facility operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.317m	\$0.020m
Enforcement	\$0.033m	\$0.014m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.092m</i>	<i>\$0.003m</i>
<i>Education</i>	<i>\$0.002m</i>	<i>\$0.003m</i>
<i>Guidance</i>	<i>\$0.050m</i>	<i>\$0.002m</i>
<i>Policy advice</i>	<i>\$0.168m</i>	<i>\$0.005m</i>

Expense	Cost recovery levy	Statutory levy
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.254m	\$0.001m
<i>IT support</i>	\$0.202m	\$0.002m
<i>Operations support</i>	\$0.170m	\$0.008m
<i>Property and corporate services</i>	\$0.309m	\$0.000m
<b>Total operating expenditure</b>	<b>\$1.597m</b>	<b>\$0.057m</b>
Allowance for capital expenditure	\$0.137m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.734m</b>	<b>\$0.057m</b>

*Tier 2 CS facility operators*

- 241 An entity is part of 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.
- 242 The cost of regulating Tier 2 CS facility operators in 2019–20 was \$0.2 million. The estimated levies to recover costs for 2020–21 are set out in Table 45.

**Table 45: Estimated levies to recover costs to regulate Tier 2 CS facility operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.033m	\$0.002m
Enforcement	\$0.004m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	\$0.010m	\$0.000m
<i>Education</i>	\$0.000m	\$0.000m
<i>Guidance</i>	\$0.006m	\$0.000m
<i>Policy advice</i>	\$0.019m	\$0.001m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.029m	\$0.000m
<i>IT support</i>	\$0.023m	\$0.000m
<i>Operations support</i>	\$0.020m	\$0.001m
<i>Property and corporate services</i>	\$0.036m	\$0.000m

Expense	Cost recovery levy	Statutory levy
<b>Total operating expenditure</b>	<b>\$0.180m</b>	<b>\$0.005m</b>
Allowance for capital expenditure	\$0.016m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.196m</b>	<b>\$0.005m</b>

*Tier 3 CS facility operators*

- 243 An entity is part of 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.
- 244 The cost of regulating Tier 3 CS facility operators in 2019–20 was \$0.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 46.

**Table 46: Estimated levies to recover costs to regulate Tier 3 CS facility operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.015m	\$0.001m
Enforcement	\$0.002m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.005m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.003m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.009m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.013m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.011m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.009m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.016m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.081m</b>	<b>\$0.002m</b>
Allowance for capital expenditure	\$0.007m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.088m</b>	<b>\$0.002m</b>

*Tier 4 CS facility operators*

- 245 An entity is part of 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.
- 246 The cost of regulating Tier 4 CS facility operators in 2019–20 was \$0.01 million. The estimated levies to recover costs for 2020–21 are set out in Table 47.

**Table 47: Estimated levies to recover costs to regulate Tier 4 CS facility operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.001m	\$0.000m
Enforcement	\$0.000m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.006m</b>	<b>\$0.000m</b>
Allowance for capital expenditure	\$0.001m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.006m</b>	<b>\$0.000m</b>

*Exempt CS facility operators*

- 247 An entity that operates a market during a financial year that is exempt from the operation of Pt 7.3 of the Corporations Act is part of this subsector.
- 248 The cost of regulating exempt CS facility operators in 2019–20 was \$0.01 million. The estimated levies to recover costs for 2020–21 are set out in Table 48.

**Table 48: Estimated levies to recover costs to regulate exempt CS facility operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.001m	\$0.000m
Enforcement	\$0.000m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.004m</b>	<b>\$0.000m</b>
Allowance for capital expenditure	\$0.000m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.005m</b>	<b>\$0.000m</b>

### Australian derivative trade repository operators

249 In 2020–21, 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.

250 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.

### Industry funding levy for Australian derivative trade repository operators

251 An entity is part of the Australian derivative trade repository operators subsector if the entity operates a licensed derivative trade repository.

- 252 Entities that form part of 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.
- 253 The cost of regulating Australian derivative trade repository operators in 2019–20 was \$0.4 million. The estimated levies to recover costs for 2020–21 are set out in Table 49.

**Table 49: Estimated levies to recover costs to regulate Australian derivative trade repository operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.068m	\$0.004m
Enforcement	\$0.007m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	\$0.020m	\$0.001m
<i>Education</i>	\$0.000m	\$0.000m
<i>Guidance</i>	\$0.011m	\$0.000m
<i>Policy advice</i>	\$0.033m	\$0.001m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.053m	\$0.000m
<i>IT support</i>	\$0.042m	\$0.000m
<i>Operations support</i>	\$0.036m	\$0.002m
<i>Property and corporate services</i>	\$0.065m	\$0.000m
<b>Total operating expenditure</b>	<b>\$0.334m</b>	<b>\$0.009m</b>
Allowance for capital expenditure	\$0.029m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.362m</b>	<b>\$0.009m</b>

### Exempt market operators

- 254 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 48).



- 255 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.

#### Industry funding levy for exempt market operators

- 256 An entity that operates a market that is exempt from the operation of Pt 7.2 of the Corporations Act is part of this subsector, unless the market was exempt because of an exemption granted to a class of financial market under s791C of the Corporations Act.
- 257 Entities that form 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.
- 258 The cost of regulating exempt market operators in 2019–20 was \$0.03 million. The estimated levies to recover costs for 2020–21 are set out in Table 50.

**Table 50: Estimated levies to recover costs to regulate exempt market operators**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.006m	\$0.000m
Enforcement	\$0.001m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	\$0.002m	\$0.000m
<i>Education</i>	\$0.000m	\$0.000m
<i>Guidance</i>	\$0.001m	\$0.000m
<i>Policy advice</i>	\$0.003m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.005m	\$0.000m
<i>IT support</i>	\$0.004m	\$0.000m
<i>Operations support</i>	\$0.003m	\$0.000m
<i>Property and corporate services</i>	\$0.006m	\$0.000m

Expense	Cost recovery levy	Statutory levy
<b>Total operating expenditure</b>	<b>\$0.030m</b>	<b>\$0.001m</b>
Allowance for capital expenditure	\$0.003m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.033m</b>	<b>\$0.001m</b>

### Credit rating agencies

259 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.

260 In 2020–21, 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). We will also work to align Australia's standards for credit rating agencies with international standards, including to obtain equivalence with standards in the European Union.

### Industry funding levy for credit rating agencies

261 An entity that holds an AFS licence that authorises it to provide general advice by issuing a credit rating is part of this subsector.

262 Entities that form 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.

263 The cost of regulating credit rating agencies in 2019–20 was \$0.2 million. The estimated levies to recover costs for 2020–21 are set out in Table 51.

**Table 51: Estimated levies to recover costs to regulate credit rating agencies**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.000m	\$0.040m
Enforcement	\$0.000m	\$0.004m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.000m</i>	<i>\$0.012m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.000m</i>	<i>\$0.006m</i>
<i>Policy advice</i>	<i>\$0.000m</i>	<i>\$0.022m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.000m</i>	<i>\$0.032m</i>
<i>IT support</i>	<i>\$0.000m</i>	<i>\$0.026m</i>
<i>Operations support</i>	<i>\$0.000m</i>	<i>\$0.023m</i>
<i>Property and corporate services</i>	<i>\$0.000m</i>	<i>\$0.040m</i>
<b>Total operating expenditure</b>	<b>\$0.000m</b>	<b>\$0.206m</b>
Allowance for capital expenditure	\$0.000m	\$0.018m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.000m</b>	<b>\$0.224m</b>

### Benchmark administrator licensees

- 264 In 2020–21, 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.

### Industry funding levy for benchmark administrator licensees

- 265 Entities that hold a licence to administer a financial benchmark are part of 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.
- 266 The cost of regulating benchmark administrator licensees in 2019–20 was \$0.4 million. The estimated levies to recover costs for 2020–21 are set out in Table 52.

**Table 52: Estimated levies to recover costs to regulate benchmark administrator licensees**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.101m	\$0.005m
Enforcement	\$0.007m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.031m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.014m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.023m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.053m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.040m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.033m</i>	<i>\$0.002m</i>
<i>Property and corporate services</i>	<i>\$0.061m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.362m</b>	<b>\$0.008m</b>
Allowance for capital expenditure	\$0.027m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.389m</b>	<b>\$0.008m</b>

## Market intermediaries

- 267 Market participants, securities dealers and other market intermediaries have a recognised role as ‘gatekeepers’ in the Australian regulatory regime and engage in trading behaviour that creates demand for market supervision. 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.
- 268 In 2020–21, our work is focused on effectively and efficiently identifying harm and fostering constructive and timely behavioural change. We will take regulatory and enforcement action where appropriate, including the use of our new product intervention power.

- 269 We are focused on both proactive and reactive supervision and surveillance of market intermediaries. Where appropriate, we will engage in close and continuous monitoring of certain entities as part of our regulatory toolkit.
- 270 At the same time, we are also focused on supporting entities as they carry out their operations during a challenging time. A key consideration across all of our work is how we can support the long-term economic recovery in Australia.
- 271 We continue to remove unnecessary regulatory burden by revising ASIC market integrity rules and providing regulatory relief where appropriate.
- 272 Table 53 outlines our areas of focus in the market intermediaries sector in 2020–21.

**Table 53: Focus areas in market intermediaries sector (2020–21)**

Focus area	Description
Safeguarding client money	<ul style="list-style-type: none"> <li>• Conducting proactive surveillance to ensure compliance with client money handling obligations, particularly when intermediaries demonstrate high financial risk or stress.</li> <li>• Undertaking early intervention strategies to enhance protection of client money.</li> <li>• Taking enforcement action when serious misconduct has been identified.</li> <li>• Communicating with stakeholders to encourage better practices and consumer messaging.</li> </ul>
Retail over-the-counter (OTC) derivatives	<ul style="list-style-type: none"> <li>• Monitoring client detriment.</li> <li>• Conducting proactive surveillance of client money reconciliations and adequacy of financial resources.</li> <li>• Conducting surveillance of any serious misconduct identified in breach reports, reports of misconduct and AFCA referrals relating to retail OTC derivatives.</li> </ul>
Mis-selling	<ul style="list-style-type: none"> <li>• Monitoring advertising in the exchange-traded and retail OTC derivatives sectors to deter mis-selling.</li> <li>• Taking action against inappropriate sale of investment products.</li> </ul>
Operational resilience	<ul style="list-style-type: none"> <li>• Identifying risks to the operational resilience of financial markets, including enhanced monitoring of market intermediaries (e.g. financial stress, conduct under business continuity plan arrangements, and technology and operational risks)</li> <li>• Taking action to intervene when required.</li> <li>• Considering operational challenges from cross-border activities.</li> </ul>
Retail investor trading in market volatility	<ul style="list-style-type: none"> <li>• Monitoring retail investor participation in the current environment, including identification of harms.</li> <li>• Issuing consumer communications, where appropriate, to raise awareness of risks.</li> </ul>

Focus area	Description
Equity market real-time and post-trade surveillance	<ul style="list-style-type: none"> <li>• Intensifying monitoring of trading, capital raisings and company announcements for integrity and orderliness.</li> <li>• Engaging in real time with companies, participants, market operators and investors on suspicious activity.</li> <li>• Monitoring short selling and securities lending volumes and take action against misconduct or conduct leading to disorderly trading.</li> <li>• Taking quick regulatory action, including enforcement action, against COVID-19 related misconduct (e.g. through disruption, behavioural change and interventions)</li> </ul>
Wholesale markets and derivative trade surveillance	<ul style="list-style-type: none"> <li>• Monitoring primary and secondary market orderliness and integrity across listed and OTC derivative markets. This includes signs of market dislocation, dysfunction and information asymmetry.</li> <li>• Monitoring wholesale market liquidity, including implications for debt capital markets of credit rating changes.</li> <li>• Taking regulatory action, including enforcement action, where appropriate.</li> <li>• Considering whether policy change or guidance is needed to further improve practices in fixed income, currency and commodity markets</li> </ul>
Allocation practices in equity and debt capital markets	Undertaking periodic reviews of transactions to test compliance with the law and best practice.
Enhanced market surveillance capability	Upgrading ASIC's real-time surveillance system to expand and automate its capability to monitor wholesale OTC markets.
Enhanced supervision for market intermediaries	Continuing to closely supervise the most high-risk and complex market intermediaries, while adapting our supervisory approach in response to the COVID-19 environment.
Market integrity rule amendments	<ul style="list-style-type: none"> <li>• Assessing options for reducing the administrative burden for market intermediaries and their derivative advisers.</li> <li>• Reviewing automated order processing controls for futures market participants where there are risks to market resilience.</li> <li>• Finalising rules for market operators and participants on technological and operational resilience.</li> <li>• Reviewing legacy rules to reduce administrative burden and improve market efficiency.</li> </ul>
Crypto-related scams	Identifying and taking appropriate action against crypto-related scams as part of a wider ASIC working group on scams.
Product intervention power	Consulting and deciding on the use of the product intervention power, where appropriate, if there is a significant risk of consumer detriment.

## Market participants

273

In 2020–21, we will identify harms or potential harms to investors, consumers and markets in the market participants subsectors and take appropriate regulatory and enforcement action where necessary.

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

#### Industry funding levy for large securities exchange participants

- 275 An entity is part of this subsector if the entity is a participant in a large securities exchange during the financial year.
- 276 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 surveillance system.
- 277 The cost of regulating large securities exchange participants in 2019–20 was \$19.8 million. The estimated levies to recover costs for 2020–21 are set out in Table 54.

**Table 54: Estimated levies to recover costs to regulate large securities exchange participants**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$3.757m	\$0.113m
Enforcement	\$3.855m	\$0.915m
Other regulatory activities		
<i>Industry engagement</i>	\$1.131m	\$0.000m
<i>Education</i>	\$0.029m	\$0.006m
<i>Guidance</i>	\$0.444m	\$0.000m
<i>Policy advice</i>	\$0.220m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$2.170m	\$0.007m
<i>IT support</i>	\$1.621m	\$0.014m
<i>Operations support</i>	\$1.155m	\$0.054m
<i>Property and corporate services</i>	\$2.495m	\$0.000m
<b>Total operating expenditure</b>	<b>\$16.878m</b>	<b>\$1.110m</b>
Allowance for capital expenditure	\$1.027m	\$0.000m
Less costs funded by own-source revenue	(\$0.040m)	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.020m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$17.885m</b>	<b>\$1.110m</b>

**Industry funding levy for large futures exchange participants**

- 278 An entity is part of this subsector if the entity is a participant in a large futures exchange.
- 279 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 surveillance system.
- 280 The cost of regulating large futures exchange participants in 2019–20 was \$5.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 55.

**Table 55: Estimated levies to recover costs to regulate large futures exchange participants**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.843m	\$0.025m
Enforcement	\$1.585m	\$0.932m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.238m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.006m</i>	<i>\$0.001m</i>
<i>Guidance</i>	<i>\$0.093m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.039m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.644m</i>	<i>\$0.002m</i>
<i>IT support</i>	<i>\$0.501m</i>	<i>\$0.004m</i>
<i>Operations support</i>	<i>\$0.345m</i>	<i>\$0.016m</i>
<i>Property and corporate services</i>	<i>\$0.776m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$5.070m</b>	<b>\$0.981m</b>
Allowance for capital expenditure	\$0.331m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$5.402m</b>	<b>\$0.981m</b>

**Securities dealers**

- 281 In 2020–21, we will monitor the harms and potential harms in the securities dealers subsector and take action, including enforcement action, where appropriate.



**Industry funding levy for securities dealers**

- 282 An entity is part of 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.
- 283 Entities that form 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 surveillance system.
- 284 The cost of regulating securities dealers in 2019–20 was \$1.4 million. The estimated levies to recover costs for 2020–21 are set out in Table 56.

**Table 56: Estimated levies to recover costs to regulate securities dealers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.422m	\$0.015m
Enforcement	\$0.019m	\$0.066m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.109m</i>	<i>\$0.001m</i>
<i>Education</i>	<i>\$0.003m</i>	<i>\$0.001m</i>
<i>Guidance</i>	<i>\$0.045m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.041m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.149m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.111m</i>	<i>\$0.001m</i>
<i>Operations support</i>	<i>\$0.090m</i>	<i>\$0.004m</i>
<i>Property and corporate services</i>	<i>\$0.176m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$1.164m</b>	<b>\$0.088m</b>
Allowance for capital expenditure	\$0.083m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.034m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.281m</b>	<b>\$0.088m</b>

## Corporate advisers and OTC traders

285 In 2020–21, we will monitor the culture and compliance of corporate advisers and OTC traders through risk-based supervision and surveillances and other actions to identify and address misconduct and the threat of harm.

### Industry funding levy for corporate advisers

286 An entity is part of 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.

287 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.

288 The cost of regulating corporate advisers in 2019–20 was \$4.7 million. The estimated levies to recover costs for 2020–21 are set out in Table 57.

**Table 57: Estimated levies to recover costs to regulate corporate advisers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.459m	\$0.019m
Enforcement	\$0.203m	\$0.490m
Other regulatory activities		
<i>Industry engagement</i>	\$0.080m	\$0.001m
<i>Education</i>	\$0.018m	\$0.004m
<i>Guidance</i>	\$0.031m	\$0.000m
<i>Policy advice</i>	\$0.021m	\$0.000m

Expense	Cost recovery levy	Statutory levy
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.254m</i>	<i>\$0.001m</i>
<i>IT support</i>	<i>\$0.247m</i>	<i>\$0.002m</i>
<i>Operations support</i>	<i>\$0.162m</i>	<i>\$0.008m</i>
<i>Property and corporate services</i>	<i>\$0.353m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$1.828m</b>	<b>\$0.525m</b>
Allowance for capital expenditure	\$0.143m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.032m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$2.002m</b>	<b>\$0.525m</b>

#### Industry funding levy for OTC traders

- 289 An entity is part of this subsector if it:
- (a) holds an AFS licence or is exempt from holding a licence under s911A(2)(l) or 926A(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.
- 290 An entity will not be part of 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.
- 291 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.
- 292 The cost of regulating OTC traders in 2019–20 was \$9.7 million. The estimated levies to recover costs for 2020–21 are set out in Table 58.

**Table 58: Estimated levies to recover costs to regulate OTC traders**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$2.380m	\$0.075m
Enforcement	\$1.316m	\$0.930m

Expense	Cost recovery levy	Statutory levy
Other regulatory activities		
<i>Industry engagement</i>	\$0.709m	\$0.001m
<i>Education</i>	\$0.018m	\$0.003m
<i>Guidance</i>	\$0.283m	\$0.000m
<i>Policy advice</i>	\$0.184m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$1.153m	\$0.004m
<i>IT support</i>	\$0.860m	\$0.008m
<i>Operations support</i>	\$0.635m	\$0.030m
<i>Property and corporate services</i>	\$1.314m	\$0.000m
<b>Total operating expenditure</b>	<b>\$8.851m</b>	<b>\$1.052m</b>
Allowance for capital expenditure	\$0.585m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.009m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$9.445m</b>	<b>\$1.052m</b>

### Retail OTC derivatives issuers

- 293 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.
- 294 In 2020–21, our focus will include monitoring the subsector for client detriment, and conducting surveillance of client money reconciliations and the adequacy of financial resources. We will take regulatory action, including enforcement action where appropriate, against misconduct.
- 295 We will continue to examine ways to use our product intervention power to address significant consumer detriment—for example, in relation to the issue and distribution of OTC binary options to retail investors, and the issue and distribution of OTC contracts for difference to retail clients. We will continue to liaise with industry to ensure clear expectations are set and to help raise standards across the industry.

### Industry funding levy for retail OTC derivative issuers

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

- 297 The flat levy applies to retail OTC derivative issuers in 2019–20. 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.
- 298 The cost of regulating retail OTC derivative issuers in 2019–20 was \$10.4 million. The estimated levies to recover costs for 2020–21 are set out in Table 59.

**Table 59: Estimated levies to recover costs to regulate retail OTC derivative issuers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$1.618m	\$0.049m
Enforcement	\$0.726m	\$4.313m
Other regulatory activities		
<i>Industry engagement</i>	\$0.494m	\$0.000m
<i>Education</i>	\$0.013m	\$0.002m
<i>Guidance</i>	\$0.195m	\$0.000m
<i>Policy advice</i>	\$0.097m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.769m	\$0.002m
<i>IT support</i>	\$0.626m	\$0.006m
<i>Operations support</i>	\$0.441m	\$0.021m
<i>Property and corporate services</i>	\$0.905m	\$0.000m
<b>Total operating expenditure</b>	<b>\$5.885m</b>	<b>\$4.393m</b>
Allowance for capital expenditure	\$0.554m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.333m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$6.771m</b>	<b>\$4.393m</b>

### Wholesale electricity dealers

- 299 Many participants in the electricity sector deal or make a market in OTC derivatives to allow them to manage risk resulting from fluctuations in the wholesale electricity markets. 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.

300 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.

301 In 2020–21, 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, in particular compliance with their financial obligations under the AFS licence. Other business-as-usual work includes providing input, advice and assistance to other regulators and government bodies (both in Australia and overseas).

#### **Industry funding levy for wholesale electricity dealers**

302 An entity is part of 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.

303 Entities that form 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.

304 The cost of regulating wholesale electricity dealers in 2019–20 was \$0.03 million. The estimated levies to recover costs for 2020–21 are set out in Table 60.

**Table 60: Estimated levies to recover costs to regulate wholesale electricity dealers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.027m	\$0.001m
Enforcement	\$0.001m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.008m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.003m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.001m</i>	<i>\$0.000m</i>

Expense	Cost recovery levy	Statutory levy
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.009m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.006m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.005m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.010m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.071m</b>	<b>\$0.001m</b>
Allowance for capital expenditure	\$0.004m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.014m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.090m</b>	<b>\$0.001m</b>

## Summary tables of estimated industry funding levies for the market infrastructure and intermediaries sector

**Table 61: Estimated industry funding levies for the market infrastructure sector**

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange operators	\$3.511m	2	<b>Value of transactions</b> The total value of all transactions that: <ul style="list-style-type: none"> <li>are entered into on, or reported to, the large securities exchange(s) operated by the entity in the financial year;</li> <li>are within the operating rules of the exchange(s); and</li> <li>are not invalid or cancelled.</li> </ul>	No minimum levy	No threshold	\$1.63 per \$1m of total transactions
Large futures exchange operators	\$1.386m	1	<b>Number of exchanges</b> 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	\$1,385,888
Small futures exchange operators	\$0.539m	1	<b>Number of exchanges</b> 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	\$539,384
Small securities exchange operators	\$0.430m	2	<b>Number of exchanges</b> 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	\$214,815



Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Small securities exchange operators with self-listing function only	\$0.002m	1	<b>Number of exchanges</b> 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	\$1,804
New specialised market operators	\$0.008m	1 entity operating 1 market	<b>Number of markets</b> 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	\$7,618
Established specialised market operators	\$0.551m	14 entities operating 20 markets	<b>Number of markets</b> 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	\$31,562
Overseas market operators	\$0.231m	22 entities operating 22 markets (20.67* FYE markets)	<b>Number of markets</b> 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	\$11,208
Tier 1 CS facility operators	\$1.791m	4	<b>Number of facilities</b> 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	\$447,867
Tier 2 CS facility operators	\$0.201m	1	<b>Number of facilities</b> 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	\$200,517

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Tier 3 CS facility operators	\$0.091m	1	<b>Number of facilities</b> 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	\$90,513
Tier 4 CS facility operators	\$0.007m	1	<b>Number of facilities</b> 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	\$6,589
Exempt CS facility operators	\$0.005m	1	<b>Number of facilities</b> 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	\$4,785
Australian derivative trade repository operators	\$0.371m	1.5	<b>Number of trade repositories</b> 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	\$247,547
Exempt market operators	\$0.034m	6.25*	<b>Number of markets</b> 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	\$3,541
Credit rating agencies	\$0.224m	6 (including 3 with a supervisory college)	<b>Number of days agency authorised with a supervisory college</b> 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	\$70,630 per supervisory college

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Benchmark administrator licensees	\$0.397m	2	<b>Number of days authorised</b>  The number of days in the financial year each entity administers each benchmark it is licensed to administer.	N/A	N/A	\$198,514

Note: \* To calculate the indicative levy for the established specialised market operators subsector, the overseas market operators sector and the exempt market operators subsector, we have used the FYE number of markets in these subsectors, to reflect the pro rata of the levy (see paragraph 75).

**Table 62: Estimated industry funding levies for market intermediaries sector**

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange participants	\$18.996m	68	<p><b>Relative volume of transactions and messages on large securities exchanges</b></p> <p>The number of messages that are:</p> <ul style="list-style-type: none"> <li>• sent by the participant in the financial year to a large securities exchange;</li> <li>• reported by the large securities exchange operator to our market surveillance system; and</li> <li>• recognised by our market surveillance system as orders or executed transactions.</li> </ul> <p>The number of transactions that are:</p> <ul style="list-style-type: none"> <li>• executed on, or reported to, a large securities exchange by the participant in a financial year;</li> <li>• reported by the large securities exchange operator to our market surveillance system; and</li> <li>• recognised by our market surveillance system as executed transactions.</li> </ul> <p>When there are multiple reports containing the same information about the same message or transaction, each message or transaction will only be counted once.</p>	\$9,000	No threshold	\$9,000 plus 1.38 cents per transaction and 0.036 cents per message

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large futures exchange participants	\$6.382m	39	<p><b>Relative volume of lots and messages on large futures exchanges</b></p> <p>The number of lots that are:</p> <ul style="list-style-type: none"> <li>• executed on, or reported to, a large futures exchange by the entity in the financial year;</li> <li>• reported by the operator of a large futures exchange to our market surveillance system; and</li> <li>• recognised by our market surveillance system as executed lots.</li> </ul> <p>The number of messages that are:</p> <ul style="list-style-type: none"> <li>• sent by the entity to a large futures exchange in a financial year;</li> <li>• reported by the operator of a large futures exchange to our market surveillance system; and</li> <li>• recognised by our market surveillance system as orders or executed transactions.</li> </ul> <p>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.</p>	\$9,000	No threshold	\$9,000 plus 1.45 cents per lot and 0.23cents per message
Securities dealers	\$1.368m	1,030	<p><b>Annual transaction turnover value</b></p> <p>The total value of transactions in securities (as measured by the buy price plus sale price of securities) that are:</p> <ul style="list-style-type: none"> <li>• executed on, or reported to, a large securities exchange in the financial year;</li> <li>• reported by the large securities exchange operator to our market surveillance system; and</li> <li>• recognised by our market surveillance system as executed transactions.</li> </ul>	\$1,000	No threshold	\$1,000 plus \$2.55 per \$1m of annual transaction turnover

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Corporate advisers	\$2.527m	348	<b>Revenue from corporate advisory activity</b> The total gross revenue made in the financial year by the corporate adviser, and the authorised representative of the adviser, from: <ul style="list-style-type: none"> <li>• providing financial product advice in Australia to a wholesale client in the course of advising on:               <ul style="list-style-type: none"> <li>– takeover bids and/or mergers;</li> <li>– structure pricing and acquisition or disposal of assets or enterprises; and</li> <li>– raising or reducing capital through the issue or acquisition of equities or debt; and</li> </ul> </li> <li>• dealing in a financial product in Australia by underwriting the issue, acquisition or sale of the product.</li> </ul>	\$1,000	\$100,000	\$1,000 plus \$7.49 per \$10,000 of annual total revenue over \$100,000
OTC traders	\$10.497m	77 entities (2,389 FTE staff)	<b>FTE staff engaged in OTC trading activity</b> 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: <ul style="list-style-type: none"> <li>• determining the terms on which the OTC trader is willing to deal;</li> <li>• making or accepting an offer or an invitation to deal; and</li> <li>• managing the financial risk arising from dealing in a financial product.</li> </ul>	\$1,000	No threshold	\$1,000 plus \$4,362 per FTE staff engaged in OTC trading activity
Retail OTC derivative issuers	\$11.164m	96.08*	<b>Number of days authorised</b> The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	\$116,207

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Wholesale electricity dealers	\$0.091m	33	Flat levy	N/A	N/A	\$2,765

Note: \* To calculate the indicative levy for the retail OTC derivative issuers subsector, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (refer to paragraph 75).

## H Financial advice sector

### Key points

This section details estimated levies to recover our costs and the work we will do during 2020–21 in regulating the financial advice sector. It also provides 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 313–322 and Table 63–Table 64);
- licensees that provide personal advice to retail clients on products that are not relevant financial products (see paragraphs 324–327, Table 63 and Table 65);
- licensees that provide general advice only to retail or wholesale clients (see paragraphs 328–332, Table 63 and Table 66); and
- licensees that provide personal advice to wholesale clients only (see paragraphs 333–336, Table 63 and Table 67).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 68 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

- 305 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 on relevant financial products;
  - (b) personal advice to retail clients on products that are not relevant financial products;
  - (c) general advice only to retail or wholesale clients; and
  - (d) personal advice to wholesale clients only.
- 306 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.
- 307 Our work includes monitoring the conduct of financial advisers and their compliance with advice conduct obligations under the Corporations Act, identifying causes of harms or breaches of the Corporations Act and ASIC Act, and taking appropriate action, including enforcement action where necessary.



- 308 We 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. Amid the COVID-19 pandemic, we will intensify our scrutiny of unscrupulous behaviour that results in the provision of poor advice to consumers affected by pandemic-related losses or hardship. ASIC-wide working groups will work to target scams, false and misleading advertising, and unlicensed advice.
- 309 At the same time, we are focused on supporting entities as they carry out their operations during a challenging time. A key consideration across all of our work is how we can support the long-term economic recovery in Australia.
- 310 We will continue to support law reform and contribute to policy development, including implementing the recommendations of the Financial Services Royal Commission. We will also process applications for relief.
- 311 Table 63 sets out our areas of focus in 2020–21.

**Table 63: Focus areas in the financial advice sector (2020–21)**

Focus area	Description
Unlicensed advice	Continuing to identify unlicensed advice and take swift action, including enforcement action, against misconduct where appropriate.
COVID-19 advice-related relief surveillance	<ul style="list-style-type: none"> <li>• Conducting surveillance of financial advice to ensure that our temporary relief measure to improve access to timely and affordable financial advice for consumers is not abused (see <a href="#">ASIC Corporations (COVID-19—Advice-related Relief) Instrument 2020/355</a>).</li> <li>• Taking enforcement action where appropriate.</li> </ul>
Financial Services Royal Commission recommendations	<p>Helping Treasury develop and implement legislative reforms to establish a single disciplinary body for financial advisers.</p> <p>Continuing to work towards implementing relevant recommendations of the Financial Services Royal Commission. This includes:</p> <ul style="list-style-type: none"> <li>• publishing the relevant legislative instruments on advice fee consent and independence disclosure, subject to passage of legislation;</li> <li>• consulting on a draft legislative instrument and information sheet for a reference checking protocol for mortgage brokers and financial advisers;</li> <li>• consulting on an updated <a href="#">RG 78</a> on revised breach reporting requirements;</li> <li>• consulting on an information sheet about new requirements for financial advisers and mortgage brokers to investigate misconduct and notify and remediate affected clients; and</li> <li>• progressing enforcement matters arising from the Royal Commission.</li> </ul>

Focus area	Description
Unmet advice needs	<ul style="list-style-type: none"> <li>Consulting with industry on the practical steps that industry or ASIC could take to remove impediments to industry's ability to provide good-quality scaled and affordable advice.</li> <li>Conducting research into the financial decisions that Australian consumers make, the factors contributing to the cost of personal advice, and the types of information an adviser must gather and analyse when advising a consumer to switch products.</li> </ul>
Life risk insurance review	<ul style="list-style-type: none"> <li>Reviewing personal life insurance advice from before and after the Life Insurance Framework (LIF) reforms were phased in. The results will show whether the quality of life insurance advice has improved since the LIF reforms were introduced.</li> <li>Collecting aggregate-level data from life insurers every six months to observe industry trends across the period.</li> </ul>
Ending grandfathered commissions	<ul style="list-style-type: none"> <li>Recommencing our grandfathered conflicted remuneration quarterly data collection for the period between 1 July 2019 and 1 January 2021 (review period).</li> <li>Reviewing the data submitted, analysing the information and reporting to the Treasurer by 30 June 2021.</li> </ul>

312 Our forecast regulatory costs for each subsector are outlined in Table 64–Table 67. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2020–21.

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

313 In 2020–21, we will focus on the conduct and practices of licensees in this subsector to identify real and potential harms that threaten good investor and consumer outcomes, particularly in the context of the COVID-19 pandemic. We remain committed to implementing the recommendations of the [Financial Services Royal Commission](#), including our work in relation to progressing enforcement matters arising from the Royal Commission.

314 We will take enforcement or other regulatory action where we identify a breach of the law.

Note: Where possible, we seek to recover our investigation and litigation costs directly from the entity involved when we are successful in a matter before the courts. The actual amount recovered will vary, as not all expenditure is recoverable (e.g. where the entity or person we took action against has insufficient assets to cover our costs). Where we do recover our costs, this is applied back to the industry to offset against levy amounts.

315 As requested by the Australian Government, we will continue to examine the effectiveness of the LIF reforms in better aligning the interests of financial advisers and consumers. We are conducting a review of personal life

insurance advice from before and after the LIF reforms were phased in. The results will show whether the quality of life insurance advice has improved. We will continue collecting aggregate level data from life insurers every six months to observe industry trends across the same period.

- 316 In April 2021, the Australian Government advised that it would be incorporating the LIF review into its broader Quality of Advice review: see Senator the Hon. Jane Hume, Minister for Superannuation, Financial Services and the Digital Economy, [\*Address to the 12th annual Financial Services Council's Life Insurance Summit 2021\*](#), speech, 21 April 2021. The Quality of Advice review is being led by Treasury. We will provide Treasury with our LIF review findings and will not release a public report.
- 317 We are examining unmet advice needs and how they can be addressed. We are engaging with industry about what practical steps can be taken to promote the availability of good quality, affordable advice for consumers. We are also conducting research into the cost of providing advice, the financial decisions consumers make to understand their advice needs and the type of information an adviser is required to gather and analyse when advising a client to switch products.
- 318 We are recommencing our quarterly data collection on grandfathered conflicted remuneration during the review period and the benefits that are being passed to clients. This is in response to a direction from the Treasurer that ASIC investigate the extent to which grandfathered remuneration is being voluntarily ended. We commenced our data collection in August 2019. However, as a result of the effect of the COVID-19 pandemic on Australian businesses, we paused our work to reduce the regulatory burden on industry. In 2020–21, we will recommence our data collection, issuing notices to licensees to provide their data for the remainder of the review period. We intend to review the data submitted, analyse the information and report to the Treasurer by 30 June 2021.
- 319 We will continue to monitor advice compliance across financial advice firms, including banning non-compliant advisers or taking other regulatory action where appropriate. We will also monitor firms' remediation programs for non-compliant advice identified.

### **Industry funding levy for licensees that provide personal advice to retail clients on relevant financial products**

- 320 An entity is part of this subsector if it holds an AFS licence that authorises it to provide financial product advice on relevant financial products to retail clients.

Note: 'Relevant financial products' are financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of those products.

- 321 Under the industry funding model, all entities in this subsector 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 that they held the relevant AFS licence authorisation.
- 322 In August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy announced that the graduated component of the levy for this subsector would be capped at the 2018–19 level of \$1,142 per adviser for 2020–21 and 2021–22. This will result in partial cost recovery for this subsector.
- 323 ASIC's cost of regulating these licensees in 2019–20 was \$56.2 million. The estimated cost of regulating the subsector for 2020–21 is \$71.4 million, as set out in Table 64. Following the decision to cap levies, and assuming an estimated 18,750 advisers and 2,934 licensees in 2020–21, the estimated costs that will be recovered from this subsector for 2020–21 is \$25.8 million.

**Table 64: Estimated costs to regulate licensees that provide personal advice to retail clients on relevant financial products**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$8.303m	\$0.246m
Enforcement	\$16.251m	\$15.146m
Other regulatory activities		
<i>Industry engagement</i>	\$0.270m	\$0.000m
<i>Education</i>	\$0.217m	\$1.307m
<i>Guidance</i>	\$0.539m	\$0.000m
<i>Policy advice</i>	\$1.022m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$7.808m	\$0.030m
<i>IT support</i>	\$5.100m	\$0.046m
<i>Operations support</i>	\$3.403m	\$0.160m
<i>Property and corporate services</i>	\$7.927m	\$0.000m
<b>Total operating expenditure</b>	<b>\$50.843m</b>	<b>\$16.935m</b>
Allowance for capital expenditure	\$3.514m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	(\$0.584m)

Expense	Cost recovery levy	Statutory levy
Adjustment for prior year (under or over recovery)	\$0.647m	\$0.000m
<b>Total</b>	<b>\$55.004m</b>	<b>\$16.350m</b>

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

- 324 In 2020–21, we will monitor the compliance of these licensees through supervision and surveillances and other actions. We will use our threats, harms and behaviours framework to identify and describe regulatory risks, and consider appropriate actions.

### Industry funding levy for licensees that provide personal advice to retail clients on products that are not relevant financial products

- 325 An entity is part of 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.
- 326 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.
- 327 The cost of regulating licensees that provide personal advice to retail clients on products that are not relevant financial products in 2019–20 was \$1.3 million. The estimated levies to recover costs for 2020–21 are set out in Table 65.

**Table 65: Estimated levies to recover costs to regulate licensees that provide personal advice to retail clients on products that are not relevant financial products**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.103m	\$0.003m
Enforcement	\$0.577m	\$0.311m

Expense	Cost recovery levy	Statutory levy
Other regulatory activities		
<i>Industry engagement</i>	\$0.004m	\$0.000m
<i>Education</i>	\$0.003m	\$0.016m
<i>Guidance</i>	\$0.007m	\$0.000m
<i>Policy advice</i>	\$0.013m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.186m	\$0.001m
<i>IT support</i>	\$0.136m	\$0.001m
<i>Operations support</i>	\$0.089m	\$0.004m
<i>Property and corporate services</i>	\$0.212m	\$0.000m
<b>Total operating expenditure</b>	<b>\$1.329m</b>	<b>\$0.336m</b>
Allowance for capital expenditure	\$0.086m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.009m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$1.424m</b>	<b>\$0.336m</b>

## Licensees that provide general advice only

- 328 In 2020–21, we will monitor the compliance of these licensees through supervision and surveillances and other actions, based on our threats, harms and behaviours framework.

### Industry funding levy for licensees that provide general advice only

- 329 An entity is part of this subsector if it holds an AFS licence authorising it to provide financial product advice that is general advice only.
- 330 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.
- 331 There is no proportional allocation 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.

332 The cost of licensees that provide general advice only in 2019–20 was \$2.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 66.

**Table 66: Estimated levies to recover costs to regulate licensees that provide general advice only**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.183m	\$0.007m
Enforcement	\$0.694m	\$0.640m
Other regulatory activities		
<i>Industry engagement</i>	(\$0.020m)	(\$0.000m)
<i>Education</i>	\$0.019m	\$0.023m
<i>Guidance</i>	(\$0.002m)	(\$0.000m)
<i>Policy advice</i>	\$0.014m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.319m	\$0.001m
<i>IT support</i>	\$0.292m	\$0.003m
<i>Operations support</i>	\$0.179m	\$0.008m
<i>Property and corporate services</i>	\$0.420m	\$0.000m
<b>Total operating expenditure</b>	<b>\$2.097m</b>	<b>\$0.682m</b>
Allowance for capital expenditure	\$0.157m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.035m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$2.289m</b>	<b>\$0.682m</b>

## Licensees that provide personal advice to wholesale clients only

333 In 2020–21, we will monitor the compliance of wholesale advice providers through risk-based, reactive supervision and surveillances and other actions, based on our threats, harms and behaviours framework.

### Industry funding levy for licensees that provide personal advice to wholesale clients only

334 An entity is part of this subsector if it holds an AFS licence authorising it to provide financial product advice to wholesale clients only.

- 335 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 331.
- 336 The cost of regulating licensees that provide personal advice to wholesale clients only in 2019–20 was \$0.05 million. The estimated levies to recover costs for 2020–21 are set out in Table 67.

**Table 67: Estimated levies to recover costs to regulate licensees that provide personal advice to wholesale clients only**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.004m	\$0.000m
Enforcement	\$0.000m	\$0.012m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.000m</i>	<i>\$0.000m</i>
<i>Guidance</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.002m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.001m</i>	<i>\$0.000m</i>
<i>Property and corporate services</i>	<i>\$0.002m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.012m</b>	<b>\$0.012m</b>
Allowance for capital expenditure	\$0.001m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.017m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.031m</b>	<b>\$0.012m</b>



## Summary table of estimated industry funding levies for the financial advice sector

**Table 68: Estimated industry funding levies for the financial advice sector**

Subsectors	Estimated 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	\$25.8m*	2,934 AFS licensees with 18,750 advisers*	<b>Adjusted number of advisers on the financial advisers register</b>  The levy metric is based on the number of relevant providers (within the meaning of s910A) that are: <ul style="list-style-type: none"> <li>• registered on the financial advisers register at the end of financial year; and</li> <li>• authorised to provide personal advice to retail clients on behalf of the entity.</li> </ul>	\$1,500	No threshold	\$1,500 plus \$1,142 per adviser*
Licensees that provide personal advice to retail clients on products that are not relevant financial products	\$1.761m	625	<b>Number of days authorised</b>  The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	\$2,817
Licensees that provide general advice only	\$2.971m	1,004	Flat levy	N/A	N/A	\$2,959
Licensees that provide personal advice to wholesale clients only	\$0.043m	1,624	Flat levy	N/A	N/A	\$27

Note: \* On 30 August 2021, the Treasurer announced that the graduated component of the levies for this subsector would be capped at the 2018–19 level as reflected in the indicative levy. Following the decision to cap levies, and assuming an estimated 18,750 advisers and 2,934 licensees in 2020–21, the estimated costs that will be recovered from this subsector for 2020–21 is \$25.8 million.

# I Insurance sector

## Key points

This section details estimated levies to recover our costs and the work we will do during 2020–21 in regulating the insurance sector. It also details the methodologies we use to calculate the levies that apply to:

- insurance product providers (see paragraphs 344–348 and Table 69–Table 70);
- insurance product distributors (see paragraphs 349–352, Table 69 and Table 71); and
- risk management product providers (see paragraphs 353–356, Table 69 and Table 72).

For clarity, we have listed the cost recovery levies and statutory levies separately for each subsector.

Table 73 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

## Overview of the insurance sector

- 337 The insurance sector consists of AFS licensees, including life and general insurance product providers, insurance product distributors (such as insurance brokers and AFS licensees who distribute products on behalf of an insurer), and risk management product providers.
- 338 In 2020–21, we are focused on protecting consumers from harm during a time of heightened vulnerabilities as a result of the COVID-19 pandemic and natural disasters. We are:
- (a) addressing financial hardship caused by COVID-19 to help consumers retain general and life insurance cover;
  - (b) minimising poor or unfair outcomes resulting from the design or distribution of insurance products; and
  - (c) ensuring that insurers process and determine claims affected by the pandemic and natural disasters in a timely manner with the utmost good faith.
- 339 We continue to consult with and develop information for industry on our expectations of fair and transparent behaviour. We will review specific market sectors and products, and we will take regulatory and enforcement actions where necessary. These actions may include using ASIC’s product intervention power if there is a significant risk of consumer detriment.

- 340 We also continue to support the development and implementation of insurance law reforms arising from the Financial Services Royal Commission. These include reforms relating to claims handling, unfair contract terms and the deferred sales model for add-on insurance.
- 341 Where appropriate, we will engage in close and continuous monitoring of certain entities as part of our regulatory toolkit.
- 342 Table 69 outlines the areas we will focus on in the insurance sector in 2020–21.

**Table 69: Focus areas in the insurance sector (2020–21)**

Focus area	Description
Claims handling	<ul style="list-style-type: none"> <li>Monitoring claims processes and outcomes in the general and life insurance sectors to ensure consumers are not unfairly disadvantaged due to the effects of the COVID-19 pandemic.</li> <li>Engaging with industry about COVID-19 related claims, and collecting data where appropriate.</li> <li>Using our regulatory tools, including enforcement action, to deter claims-handling related misconduct and ensure insurance claims are processed with utmost good faith.</li> </ul>
Mis-selling	<ul style="list-style-type: none"> <li>Analysing the risk of inappropriate product design and distribution in the current environment by monitoring: <ul style="list-style-type: none"> <li>the design and sale of poor value insurance products;</li> <li>the use of potentially unfair contract terms;</li> <li>the distribution practices that may lead to poor outcomes for consumers and may breach the law; and</li> <li>the mis-selling of unsuitable insurance products.</li> </ul> </li> <li>Taking swift action to deter misconduct and punish breaches of the law.</li> </ul>
Hardship assistance	Engaging with industry to set expectations on providing flexibility for consumers experiencing financial hardship. Our aim is to ensure that consumers can retain insurance that protects their key assets during a period of increased vulnerability.
Governance	Preparing for the implementation of the Financial Accountability Regime and co-regulation of the regime with APRA.
Small business insurance cover	<p>Working with AFCA, APRA, general insurers and other stakeholders to help:</p> <ul style="list-style-type: none"> <li>clarify business interruption policy cover for small businesses with COVID-19 related losses;</li> <li>maintain, facilitate and improve the performance of the general insurance market.</li> </ul>

Focus area	Description
Financial Services Royal Commission recommendations	<p>Continuing to progress the implementation of Financial Services Royal Commission recommendations, including those relating to:</p> <ul style="list-style-type: none"> <li>• deferred sales model for add-on insurance, by consulting on guidance;</li> <li>• removal of claims handling exemption. We will issue a new information sheet on how to apply for or vary an AFS licence to cover claims handling and settlement; and</li> <li>• hawking of insurance. We will consult on changes to <a href="#">Regulatory Guide 38</a> <i>The hawking prohibitions</i> (RG 38) as a result of the expansion of the hawking prohibition to superannuation and insurance products.</li> </ul>
Natural disaster working group	Monitoring insurers' responses (e.g. claims handling and claims outcomes) to recent natural disasters, including severe bushfires, storms and hailstorms affecting parts of Australia.
Total and permanent disability (TPD) insurance	Reporting on insurers' responses to <a href="#">Report 633</a> <i>Holes in the safety net: A review of TPD insurance claims</i> (REP 633).
Review of unfair contract terms in insurance	<ul style="list-style-type: none"> <li>• Reviewing potential unfair contracts terms in general and life insurance contracts.</li> <li>• Updating <a href="#">Information Sheet 210</a> <i>Unfair contract term protections for consumers</i> (INFO 210) and <a href="#">Information Sheet 211</a> <i>Unfair contract term protections for small businesses</i> (INFO 211).</li> <li>• Holding industry roundtables and ongoing liaison to establish our expectations with industry, monitor progress and promote compliance.</li> </ul>
Life insurance claims data collection	<ul style="list-style-type: none"> <li>• Continuing to work with APRA to collect six-monthly life insurance claims data and update ASIC's Moneysmart life insurance claims comparison tool.</li> <li>• Analysing the data to inform our regulatory activities in the life insurance sector.</li> </ul>

343 Our forecast regulatory costs for each subsector are outlined in Table 70–Table 72. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2020–21.

## Insurance product providers

344 As outlined in Table 69, in 2020–21 we will focus on protecting consumers from harm during a time of heightened vulnerability (as a result of the COVID-19 pandemic). We will continue to support the reforms arising from the [Financial Services Royal Commission](#). We will also examine a range of insurance products and markets where we see potential threats to fair outcomes for consumers.

345 An entity is part of 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.

### Industry funding levy for insurance product providers

- 346 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.
- 347 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.
- 348 The cost of regulating insurance product providers in 2019–20 was \$18.1 million. The estimated levies to recover costs for 2020–21 are set out in Table 70.

**Table 70: Estimated levies to recover costs to regulate insurance product providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$3.326m	\$0.188m
Enforcement	\$0.243m	\$1.467m
Other regulatory activities		
<i>Industry engagement</i>	\$1.034m	\$0.026m
<i>Education</i>	\$0.079m	\$4.565m
<i>Guidance</i>	\$0.186m	\$0.005m
<i>Policy advice</i>	\$2.128m	\$0.054m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$1.859m	\$0.004m
<i>IT support</i>	\$1.415m	\$0.013m
<i>Operations support</i>	\$1.007m	\$0.047m
<i>Property and corporate services</i>	\$2.488m	\$0.000m
<b>Total operating expenditure</b>	<b>\$13.766m</b>	<b>\$6.370m</b>

Expense	Cost recovery levy	Statutory levy
Allowance for capital expenditure	\$1.044m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	(\$0.092m)
Adjustment for prior year (under or over recovery)	\$0.027m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$14.837m</b>	<b>\$6.278m</b>

## Insurance product distributors

349 As outlined in Table 69, in 2020–21, we will focus on protecting consumers from harm during a time of heightened vulnerability (as a result of the COVID-19 pandemic). We will continue to support the reforms arising from the Financial Services Royal Commission, some of which apply to insurance product distributors as well as insurance product providers. We will also examine a range of insurance products and markets where we see potential threats to fair outcomes for consumers, and in doing so will consider the role of insurance product distributors. Where insurance product distributors, such as insurance brokers, provide general advice or personal advice to a client, this will also be examined by ASIC through our work in the financial advice sector (see Section H).

350 An entity is part of 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.

### Industry funding levies for insurance product distributors

351 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.

352 The cost of regulating insurance product distributors in 2019–20 was \$3.9 million. The estimated levies to recover costs for 2020–21 are set out in Table 71.

**Table 71: Estimated levies to recover costs to regulate insurance product distributors**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.127m	\$0.004m
Enforcement	\$0.892m	\$2.097m

Expense	Cost recovery levy	Statutory levy
Other regulatory activities		
<i>Industry engagement</i>	\$0.022m	\$0.000m
<i>Education</i>	\$0.001m	\$0.096m
<i>Guidance</i>	\$0.004m	\$0.000m
<i>Policy advice</i>	\$0.044m	\$0.000m
Indirect costs		
<i>Governance, central strategy and legal</i>	\$0.268m	\$0.001m
<i>IT support</i>	\$0.244m	\$0.002m
<i>Operations support</i>	\$0.155m	\$0.007m
<i>Property and corporate services</i>	\$0.374m	\$0.000m
<b>Total operating expenditure</b>	<b>\$2.131m</b>	<b>\$2.208m</b>
Allowance for capital expenditure	\$0.217m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.060m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$2.408m</b>	<b>\$2.208m</b>

## Risk management product providers

353 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) are part of this subsector—for example, providers of mutual risk products.

354 In 2020–21, we will focus on preventing the mis-selling of inappropriate products to consumers. We will monitor the compliance of risk management product providers through supervision and surveillances, using a risk-based approach to identify regulatory risks and determine appropriate actions.

### Industry funding levy for risk management product providers

355 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.

356 The cost of regulating risk management product providers in 2019–20 was \$0.3 million. The estimated levies to recover costs for 2020–21 are set out in Table 72.

**Table 72: Estimated levies to recover costs to regulate risk management product providers**

Expense	Cost recovery levy	Statutory levy
Supervision and surveillance	\$0.079m	\$0.003m
Enforcement	\$0.003m	\$0.000m
Other regulatory activities		
<i>Industry engagement</i>	<i>\$0.014m</i>	<i>\$0.000m</i>
<i>Education</i>	<i>\$0.003m</i>	<i>\$0.007m</i>
<i>Guidance</i>	<i>\$0.006m</i>	<i>\$0.000m</i>
<i>Policy advice</i>	<i>\$0.015m</i>	<i>\$0.000m</i>
Indirect costs		
<i>Governance, central strategy and legal</i>	<i>\$0.027m</i>	<i>\$0.000m</i>
<i>IT support</i>	<i>\$0.021m</i>	<i>\$0.000m</i>
<i>Operations support</i>	<i>\$0.019m</i>	<i>\$0.001m</i>
<i>Property and corporate services</i>	<i>\$0.031m</i>	<i>\$0.000m</i>
<b>Total operating expenditure</b>	<b>\$0.216m</b>	<b>\$0.011m</b>
Allowance for capital expenditure	\$0.015m	\$0.000m
Less costs funded by own-source revenue	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.041m	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.273m</b>	<b>\$0.011m</b>



## Summary table of estimated industry funding levies for the insurance sector

**Table 73: Estimated industry funding levies for insurance sector**

Subsectors	Estimated cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Indicative levy
Insurance product providers	\$21.114m	91	<b>Gross premium and net policy revenue</b> 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 \$4.45 per \$10,000 of revenue over \$5m
Insurance product distributors	\$4.616m	3,242	Flat levy	N/A	N/A	\$1,423
Risk management product providers	\$0.284m	64	<b>Number of days authorised</b> The number of days in the financial year on which the entity held the prescribed AFS licence authorisation.	N/A	N/A	\$4,435

## J 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.

- 357 We have assessed the industry funding model as high risk under the Australian Government's [charging risk assessment for regulatory activities](#) (PDF 196 KB).
- 358 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 methods are required to allocate our regulatory costs, and these may need to be updated and amended as circumstances change. This is a complex model. Its effectiveness is dependent on collecting complete, accurate and timely information from the entities we regulate.
- 359 The risks arising from this model, and how we will mitigate them, are set out in Table 74.

**Table 74: Mitigation of risks arising from the industry funding model**

Risk	Mitigation
Volatility in year-to-year bills	<p>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.</p> <p>As part of our strategic planning process, we use a threats, harms and behaviours framework to better identify, describe and prioritise actual and potential harms to consumers, investors, and fair and efficient markets. This information is used to support 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 strategic planning process should assist stakeholders by signalling at an early stage the cost drivers for the different subsectors that will be reflected in the CRIS each year.</p> <p>The actual costs from year to year may vary as a result of the change in strategic focus over time. Changes in focus affect the level and intensity of our regulatory activities (e.g. supervision and surveillance, and enforcement) in the various subsectors we regulate.</p> <p>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 for the previous year. We do this so that stakeholders will be able to understand the reason underpinning the levies for each subsector that we regulate. Each year, we also publish the corporate plan, which outlines our vision for the coming year and our strategic plan to achieve them.</p>
Levies invoiced differ significantly from the estimates provided due to changes in our operating environment	<p>Our 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 (e.g. the outbreak of a pandemic) or the conduct of our regulated population between the time the estimate is provided and the time the levy is invoiced.</p> <p>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, or emerging threats, that have or may cause harm. As our operating environment changes over time, so will the allocation of regulatory effort and costs to different subsectors. In the case of our enforcement activities, matters may evolve in nature as they progress through the stages of investigation and litigation. For example, enforcement expenditure may be higher than expected due to greater demand for staff and external service providers, or lower than expected as a matter comes to a close.</p> <p>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.</p>

Risk	Mitigation
Over or under collection of levies	<p>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.</p> <p>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 adjustments are equitable.</p>
The introduction of new subsectors during the financial year	<p>The introduction of new subsectors will affect the allocation of costs between subsectors and the levy for individual entities.</p> <p>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 <i>Legislation Act 2003</i>).</p>
Failure to collect sufficient information from entities to correctly apportion our regulatory costs	<p>Each regulated entity is responsible for:</p> <ul style="list-style-type: none"> <li>• determining the subsector to which it belongs; and</li> <li>• submitting their business activity metrics on the <a href="#">ASIC Regulatory Portal</a>.</li> </ul> <p>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.</p> <p>Business activity metrics are due to be submitted between July and September 2021. This will be the fourth year of submitting the metrics; 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.</p> <p>The penalty provisions of the <i>ASIC Supervisory Cost Recovery Levy (Collection) Act 2017</i> 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.</p> <p>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.</p>

## **PART 2**      **Fees for service under ASIC industry funding model**

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

361            Part 2 sets out:

- (a)    an introduction to the part (see Section K);
- (b)    the policy and statutory authority for fees for service (see Section L);
- (c)    the fees-for-service model (see Section M); and
- (d)    the risk assessment we have undertaken (see Section N).

## K 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.

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 2020–21. 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

362 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.

363 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.

364 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.

365 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

- 366 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 2020–21 indicates that fee-related activities will account for approximately 3% of our total regulatory costs.
- 367 Table 75 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 75: 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 368–378
Registration application services	Responsible entities Registered liquidators Registered company auditors	Paragraphs 368–374 Paragraphs 379–380
Compliance review of documents lodged with ASIC (such as a prospectus or other compliance document)	Companies (all subsectors) AFS licensees (all subsectors)	Paragraphs 381–386
Requests for changes to market operating rules	Market infrastructure providers	Paragraph 387
Assessment of applications for relief	All sectors and subsectors	Paragraphs 388–394

### ASIC's licensing and registration responsibilities

- 368 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 minimum statutory standards.
- 369 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 team.

### **AFS and credit licensing and professional registration**

370 We assess whether a new applicant meets certain minimum statutory standards for AFS and credit licensing or professional registration (with the exception of the registration of registered liquidators which is done by independent committee). 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.

371 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.

372 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.

373 The regulatory outcomes set out at paragraph 371 apply equally to applications for a variation to an existing licence.

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

### **Financial markets, CS facilities, financial benchmarks and trade repositories**

375 We are responsible for assessing licence applications for new financial markets, CS facilities, trade repositories and financial benchmark administrators. The team also assesses applications from entities seeking exemptions from some or all of the licensing requirements.

376 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.

377 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.

378 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**

379 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.

380 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 or compliance plan 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**

381 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.

382 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.

383 The types of activities and documents that we review for compliance include:

- (a) fundraising offers that require a disclosure document to be lodged with ASIC;
- (b) Product Disclosure Statements (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.

384 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.

- 385 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.
- 386 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 and/or statements;
  - (d) stopping the transaction, and 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**

- 387 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**

- 388 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*.
- 389 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.

390 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 11–14);
- (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.

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

392 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.

393 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.

- 394 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

- 395 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

- 396 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.
- 397 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.

## L 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 industry funding levies and fees for service.

The legislative framework for fees for service is 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

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

399 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.

400 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

- 401 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.

## M Fees-for-service model

### Key points

The fees for service we charge for applications 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

402 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

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

- (a) licensing application or variation services;
- (b) registration application and renewal 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 75).

404 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 76, Table 77 and Table 78.

#### Step 2: Costing the activity

405 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.



- 406 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](#).
- 407 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.
- 408 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

- 409 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**

- 410 Table 76 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.
- 411 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. To determine the efficient costs associated with this application, 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.
- 412 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.
- 413 Table 76 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 76: Example 1—Application for registration as an authorised audit company****Licensing team**

<b>Business process</b>	<b>Direct costs (A)</b>	<b>Indirect costs (B)</b>	<b>Average hours (C)</b>	<b>Weighted average hourly rate (D)</b>	<b>Total (A+B or CxD)</b>
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 supervisory 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.	\$158	\$99	2	\$128.44	\$257
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.					
<b>Total fee for Licensing team</b>					<b>\$1,927</b>

**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 applications for registration of company auditors.	\$277	\$118	2.5	\$158.18	\$395
The team reviews whether the applicant has complied with the requirements of <a href="#">Regulatory Guide 180</a> 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
<b>Total fee for Financial Reporting and Audit team</b>					<b>\$1,502</b>

**Total fee**

Team	Total
Licensing team	\$1,927
Financial Reporting and Audit team	\$1,502
<b>Total fee</b>	<b>\$3,429</b>

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

414 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.

415 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.

416 The Australian Government also consulted on proposals to introduce new tiered fees for applications to vary or revoke conditions imposed on CS facility licences and market licences. These amendments commenced on 1 April 2019.

417 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.

418 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

419 Table 77 and Table 78 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.

420 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.

421 Table 77 and Table 78 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 77: 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)
<p>We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents.</p> <p>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 fitness and propriety.</p>	Nil	Nil	Nil	Nil	Nil
<p>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).</p> <p>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.</p>	\$601	\$376	7	\$139.57	\$977
<p>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:</p> <ul style="list-style-type: none"> <li>• additional financial resources or insurance coverage;</li> <li>• client money and scheme property handling procedures; and</li> <li>• dealing (as principal) in derivatives or in other products on behalf of clients on a discretionary basis.</li> </ul> <p>This process is more likely to involve the analyst consulting with their supervisor or one of ASIC's specialist supervisory 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.</p>	\$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.	\$601	\$376	7	\$139.57	\$977
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.					
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
<b>Total fee</b>					<b>\$7,537</b>

**Table 78: 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.	Nil	Nil	Nil	Nil	Nil
The lower the complexity of the application, the lower the volume of material that will be included in the initial submission.					

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
<p>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 supervisory teams in relation to the application.</p> <p>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.</p>	\$1,373	\$860	18	\$124.04	\$2,233
<p>The analyst assesses whether the applicant is capable of complying with its obligations as a licensee (including the competence of the nominated responsible managers).</p> <p>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.</p>	\$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 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.	\$305	\$191	4	\$124.04	\$496
<b>Total fee</b>					<b>\$3,721</b>



## Cost breakdown of our regulatory activities

422 Table 79 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 79: Cost breakdown estimates for our regulatory activities**

Fees-for-service activities	Direct costs	Indirect costs	Capital costs	Total costs
Licence applications or variations	\$0.670m	\$0.336m	N/A	\$1.006m
Registration application services	\$2.707m	\$1.270m	N/A	\$3.977m
Compliance review of documents	\$2.294m	\$1.047m	N/A	\$3.341m
Requests for changes to market operating rules	\$0.095m	\$0.040m	N/A	\$0.135m
Assessment of applications for relief	\$2.525m	\$1.566m	N/A	\$4.091m
<b>Total costs to be recovered</b>	<b>\$8.290m</b>	<b>\$4.259m</b>	<b>N/A</b>	<b>\$12.550m</b>

## N 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.

- 423 We have assessed the fees-for-service model as medium risk under the [Australian Government Regulatory Charging Risk Assessment](#) (PDF 196 KB). 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.
- 424 The potential risks arising from the model and how we will mitigate those risks, are set out in Table 80.

**Table 80: 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	<p>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.</p> <p>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 P.</p>

Risk	Mitigation
The fees for service may not match our regulatory costs	<p>Under our fees-for-service model, the fees payable may not match our exact costs in all cases because of the <i>ex-ante</i> 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.</p> <p>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.</p>
Uncertainty about the classification of tiered fees	<p>We made <a href="#">ASIC (Fees—Complexity Criteria) Instrument 2018/578</a>, 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.</p> <p>Applicants for a market licence will also be directed to contact a member of our Market Infrastructure team for a preliminary assessment of complexity.</p>
The tiered fees could result in some entities being subject to a large increase in fees if they fall within the complex category	<p>The <a href="#">Australian Government Charging Framework</a> 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 <a href="#">Australian Government Charging Framework: Resource Management Guide No. 302</a>.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• entities pay the appropriate fee, based on the complexity of the transaction for the service we provide; and</li> <li>• we can closely recover our true cost.</li> </ul>

## **PART 3**      **CRIS engagement and evaluation**

425

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 O);
- (b) how we measure our financial and non-financial performance (see Section P)
- (c) the key events and estimated dates (see Section Q); and
- (d) the CRIS approval and change register (see Section R).

## O Stakeholder engagement

### Key points

This section outlines the following:

- our stakeholder engagement on this CRIS; and
- the Australian Government’s earlier consultation on industry funding levies and fees for service.

It also outlines the key feedback we received on the draft CRIS and details our response to the feedback.

### Stakeholder engagement on the draft CRIS

- 426 This CRIS was released for comment on 23 July 2021. We received 14 responses. This section summaries the key issues raised by respondents.
- 427 For a list of the non-confidential responses to the CRIS, see Appendix 3. Copies of these submissions are available on the [regulatory costs and levies page](#) on ASIC’s website.
- 428 The main issues raised by the respondents relate to:
- (a) the design of the industry funding model (see paragraphs 429–433);
  - (b) the increase in levies and the allocation of costs to ASIC’s regulatory activities (see paragraphs 434–438);
  - (c) the variation between estimated and actual levies (see paragraphs 439–442); and
  - (d) transparency of costs and performance details (see paragraph 443–446).

### Design of the industry funding model

- 429 Several respondents expressed concerns about the design of the model, particularly in relation to licensees that provide personal advice to retail clients (‘personal advice subsector’), registered company auditors and registered liquidators. Some respondents raised concerns about the *ex post* nature of the model—which means that levies are calculated after the financial year and after we have finalised our regulatory costs. These respondents noted the uncertainty and difficulty this causes in budgeting for their levy contributions.
- 430 In relation to auditors, some respondents suggested capping levies at a certain amount or waiving levies for auditors with revenue less than a certain threshold.

- 431 Two respondents focused on concerns for registered liquidators who are required to undertake certain work for a regulatory purpose and to finalise a liquidation even if they are unable to recover their fees. They compared registered liquidators, whose levies have a flat and variable component, to registered auditors who are assigned a flat levy. One respondent noted that the metric resulted in disproportionate levies for smaller firms due to the volume-based levy metric for liquidators, because smaller practices often perform higher volumes of smaller matters relative to larger firms.
- 432 Some respondents suggested that enforcement costs for the personal financial advice subsector should be recovered from entities that generated ASIC's supervisory and enforcement activities, particularly the larger firms, many of which have now left the subsector. To that end, one respondent suggested that the industry funding model should be more granular and risk-based to more accurately account for the firms generating ASIC's enforcement and supervisory activities.
- 433 Other concerns and suggestions about the application of the industry funding model to specific sectors and subsectors included the following:
- (a) advisers with a limited AFS licence should not pay an equivalent amount to advisers who are licensed to provide a full suite of advice services;
  - (b) provision of personal advice to retail clients on relevant financial products should be excluded from the definition of insurance product distributors since financial advisers act on behalf of the client, not the insurer;
  - (c) the net asset value should be used as the metric for responsible entities, instead of the total value of assets;
  - (d) there is a lack of certainty around the intended application of the definition of the staff-based metric used to calculate levies for OTC traders;
  - (e) it is inappropriate to apply a message-based metric for the market intermediaries sector; and
  - (f) technical changes to the metrics for futures exchange participants and securities exchange participants should be implemented.

#### *ASIC's response*

The Australian Government has undertaken extensive consultation to develop and refine the industry funding model: see paragraphs 447. The industry funding model is now prescribed in a number of Acts and regulations.

Amendments to the model are a matter for Government and would require legislative change by the Australian Parliament.

### Review by Treasury

On 30 August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy [announced that Treasury will review ASIC's industry funding model](#). The review will commence in 2022 and will be undertaken in consultation with the Department of Finance and ASIC.

ASIC will continue to work with Government leading up to and during the review of the industry funding model. We will continue to assess the feedback received in the CRIS submissions and communicate them to Government to help inform this process.

### Increase in levies and the allocation of costs to ASIC's regulatory activities

- 434 Several respondents expressed concerns about increasing levies, particularly in light of the impacts of the COVID-19 pandemic. They raised concerns that the industry funding model may cause the number of registered liquidators, registered company liquidators, superannuation trustees and financial advisers in the personal advice subsector to decrease.
- 435 Three respondents expressed concern about the inclusion of investigation and litigation costs where ASIC has decided not to pursue the matter further or where ASIC action has been unsuccessful. Two respondents also suggested that court-awarded penalties, like court-awarded costs, should be applied back to the relevant subsector to reduce the actual levies. One respondent suggested we should adopt a more balanced approach to enforcement action that does not result in increased costs for businesses and consumers.
- 436 Some respondents suggested that there could be an overlap between the work performed by ASIC and other agencies and regulators such as the Tax Practitioners Board and APRA. These respondents suggested that recognition of this overlap could help reduce costs and that the cumulative regulatory impact should be considered when assessing the level of risk and resulting supervision, surveillance and enforcement activity.
- 437 With respect to the personal advice subsector, one respondent suggested that the rate of increase in levies surpasses the rate of revenue growth for most financial planning businesses. Some respondents suggested that these costs are passed on to consumers and would impact the affordability of financial advice. Some respondents suggested it was unreasonable for investigation and litigation costs associated with unlicensed operators to be borne by regulated entities.
- 438 Some respondents expressed concern about the increasing levies for financial advisers in light of the upcoming levies for the Compensation Scheme of Last Resort, the costs that will be associated with the single

disciplinary body and the new breach reporting requirements, as well as their increasing professional indemnity insurance costs.

#### *ASIC's response*

An increase in levies for a subsector is a reflection of ASIC's more intensive regulatory activities in that subsector. We take an active role to enforce the laws we administer to maintain integrity and trust in the financial system and this includes regulating the boundaries of permitted conduct. ASIC action in relation to unlicensed conduct in a sector maintains integrity and trust in the licensed sector and deters competition from unlicensed and unregulated entities.

Our strategic planning framework enables us to identify and prioritise misconduct to address using our regulatory tools. This framework supports how we plan our regulatory action and allocate our regulatory costs across different subsectors and different regulatory tools.

The costs of investigating suspected misconduct in the course of deciding whether to pursue an enforcement remedy or any non-enforcement outcomes are a necessary part of the costs of regulating a subsector. When ASIC pursues a matter in the courts, we actively seek to recover our investigation and litigation costs whenever the matters are successful. The actual amount recovered varies. Any court-awarded cost orders for enforcement actions by ASIC are added to our own-source revenue and this offsets levies for relevant subsectors. However, court-awarded penalties and fines are paid into consolidated revenue.

In our [Statement of Intent](#), published on 25 August 2021, we have committed to continuing to enhance our cooperation with other regulators, especially APRA, to share information, avoid duplication and promote common approaches to regulation.

Entities that are experiencing hardship can apply to ASIC for a levy waiver. Applications are assessed on a case-by-case basis and ASIC can only consider waiving a levy where there are exceptional circumstances. Further [information about levy waivers](#) is available on our website. The amounts that are waived are not recovered from other entities. In some cases, we can also arrange a payment plan to allow entities to make industry funding payments in instalments.

#### **Announcement on relief for financial advisers**

On 30 August 2021, the Treasurer and the Minister for Superannuation, Financial Services and the Digital Economy [announced temporary and targeted relief for financial advisers](#).

The relief will see the graduated component of the levy charged for the personal advice subsector restored to its 2018–19 level for two years.



## Variation between indicative and actual levies

- 439 Several respondents noted that the actual levies in previous financial years have been significantly higher than the indicative levies for some subsectors, including for the personal advice subsector, registered liquidators and the market intermediaries sector. The respondents stated that the variation creates unpredictability, making it difficult for entities to effectively budget for the levies. Some respondents flagged that this was further exacerbated by the delayed publication of the CRIS.
- 440 One respondent queried the number of advisers used to derive the estimated levy, which is more than the number currently on the Financial Advisers Register.
- 441 One respondent suggested that given the variation between indicative and actual levies, the current approach of publishing the indicative levies in the first half of the year and then invoicing actual levies in January of the following year, is unhelpful. Two respondents also queried how the indicative levies in last year's CRIS varied from the actual levies, despite being released later in the year.
- 442 Several respondents requested further explanation of the variance between estimated and actual costs. One respondent suggested that we should explain all variances that exceed 10%.

### *ASIC's response*

In the CRIS, we explain that the estimated levies are derived based on our planned regulatory work at the start of the financial year. The metrics used reflect the best available information we have at that time. The estimated levies will differ from the actual levies and are a guide only for regulated entities.

In the case of our enforcement activities, matters can evolve as investigation and litigation progresses. For example, our costs may be higher than anticipated due to a greater than expected demand on resources, or they might be lower if a matter is finalised sooner than expected. Our actual costs may also be different from estimates if we take on more or less enforcement matters than anticipated in response to changes in our operating environment.

We publish our actual levies on our website in December once actual costs are known and the levy metrics from the Regulatory Portal have been collected. The estimates in this final version of the CRIS remain unchanged compared to the draft CRIS (with the exception of some estimates for the personal advice sector, which changed following the recent announcement on the capping of the levies).

We cannot predict all changes in our operating and regulatory environment. It is important that we maintain flexibility in our

resourcing to adapt to new developments and respond to misconduct as it arises. This is likely to result in some variance between our budgeted costs and our actual costs over the year.

In the CRIS, we explain material variances between indicative and actual levies for the previous year. 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 greater than \$2 million in total. This approach was adopted after careful consideration to ensure that we explain material variances across the 52 subsectors without adding significant complexity to the CRIS.

Each year, we endeavour to publish the CRIS in a timely manner to help industry better plan for the actual levies, though unavoidable delays can occur. We are mindful of the need for entities to budget and plan for the levies. We will continue to aim to publish the CRIS as early as possible to assist them.

## Transparency of costs and performance details

- 443 A number of respondents requested that we provide more details in the CRIS on our costs and performance. Several respondents suggested that a more detailed breakdown of activities is needed to demonstrate how our regulatory costs are incurred, particularly for enforcement costs. One respondent requested more transparency about the cases that make up the enforcement costs as well as the court costs recovered that offset enforcement costs for a subsector.
- 444 Two respondents requested further information about the costs associated with litigation against large financial institutions and the oversight of these investigations and remediation programs. Some respondents also requested a breakdown of indirect costs as these are higher for some subsectors.
- 445 One respondent expressed that the breakdown of levies into cost recovery levies and statutory recovery levies this year did not increase transparency. They suggested that more information about ESA costs would be useful. One respondent suggested that, to increase the transparency of costs, we should exclude investigation and litigation costs until the litigation proceedings are complete and the matter has been determined by the court.
- 446 Some respondents requested performance metrics in relation to enforcement activity and for ASIC to demonstrate how it is improving the efficiency of its regulatory effort. One respondent queried whether ASIC's use of regtech and supotech has been driving cost efficiencies and reducing levies. One respondent suggested that information about our performance should be consolidated in one document.

**ASIC's response**

The CRIS aims to provide a level of detail that ensures we are transparent about the different costs in a way that is proportional to the complexity, materiality and sensitivity of each activity, and consistent with the Cost Recovery Guidelines.

To that end, the CRIS provides a breakdown of the different components of indirect and direct costs. Direct costs are broken down into regulatory activities, while indirect costs comprise property and corporate services, IT support, operations support as well as internal governance, central strategy activities and legal activities.

As required by the *Public Governance Performance and Accountability Act 2013*, our corporate plan describes our focus areas and the key actions we will take to address them. It sets out how we will measure and assess our performance and the evidence we will rely on. In ASIC's [Corporate Plan 2021–25: Focus 2021–22](#), we provided an outline of our framework for evaluating our performance. This will enable us to better measure the efficiency of our activities and assess the impact of key projects and regulatory interventions.

We provide a summary of our performance in the annual performance statement in [our annual report](#). This summary includes a statement about our performance objectives and how we use qualitative and quantitative measures to assess our regulatory and market outcomes.

In light of the new Regulator Performance Guide, which came into effect on 1 July 2021, we will be further consolidating information about our performance in the 2021–22 Annual Report. We will continue to review and improve our performance measures and reporting model.

## Stakeholder consultation on industry funding levies

- 447 The Australian Government has previously 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.
- 448 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 the Treasury Laws Amendment \(ASIC Cost Recovery and Fees\) Regulations 2019](#).

## Stakeholder consultation on the fees-for-service model

- 449 The Australian Government also led the consultation with industry to refine and settle the fees-for-service model.
- 450 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.
- 451 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.
- 452 In April 2018, the Government consulted on the [\*exposure draft legislation to implement fees for service\*](#). On 22 January 2019, the Government released the [\*exposure draft of the Treasury Laws Amendment \(ASIC Cost Recovery and Fees\) Regulations 2019\*](#) for consultation.

## P Financial and non-financial performance

### Key points

This section sets out the variance between actual costs incurred in 2019–20 and our estimates in the [Cost Recovery Implementation Statement: ASIC industry funding model \(2019–20\)](#) (2019–20 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

453 In 2020–21, \$359.6 million of costs relating to our regulatory activities are expected to be recovered through levies on industry, including \$484,000 that was recognised as revenue in 2020–21 but not recovered in 2019–20 for small futures exchange operators: see Table 38.

**Table 81: Actual and estimated expenses, revenue, balances and cumulative balances**

Figure type	Actual figure for 2019–20	Estimates for 2020–21	Estimates for 2021–22	Estimates for 2022–23
Expenses	\$320.3m	\$359.6m	\$378.1m	\$363.2m
Revenue	\$319.8m	\$359.1m	\$378.1m	\$363.2m
Balance (revenue minus expenses)	(\$0.5m)	(\$0.5m)	Nil	Nil
Cumulative balance	(\$0.5m)	\$0.0m	Nil	Nil

Note: The \$0.5m balance carried forward from 2019–20 to 2020–21 represents 2019–20 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

454 Table 82 sets out the actual expenses we incurred in 2019–20 for each sector and subsector and the variance between our estimates in the 2019–20 CRIS and actual expenses.

- 455 We continually refine our strategic planning and budgeting processes to ensure that we work efficiently and accurately to identify threats and harms in our regulated environment and to prioritise the work we need to do to address those threats and harms. This enables us to allocate our resources—including staff and budget—in a strategic way and to minimise the risk of significant deviation from budget.
- 456 However, we cannot predict all changes in our operating environment and in the conduct of the regulated population, and we maintain flexibility in our resourcing to adapt to developments. This is likely to result in some variance between our budgeted costs and our actual costs over the year. For instance, in the context of enforcement, we may necessarily have to shift or strengthen our focus in certain areas during the year and we have mechanisms, including the ESA, to adapt to those changes.
- 457 A key contributing factor to the variance in 2019–20 has been the variance in enforcement costs. In the 2019–20 Budget, ASIC received additional funding to meet the level of regulatory activity expected by the community and the Australian Government in response to conduct within the financial services industry. Following the Financial Services Royal Commission, we have used our increased resources to:
- (a) build our enforcement capability;
  - (b) deal more quickly with matters falling within our priority areas; and
  - (c) accelerate enforcement outcomes.
- 458 The nature of enforcement matters often evolve as they progress through investigation and litigation. This also contributes to the variance between our estimated and actual costs. For example, enforcement costs may be higher than expected as the need for staff and external services increases, or lower than expected as a matter reaches a close.
- 459 Where there has been a material variance between the actual costs and the original estimate for 2019–20, we have provided a breakdown of the regulatory activities for the subsector: see Table 83–Table 93.

**Table 82: Variance between estimated and actual regulatory costs recoverable through levies in 2019–20, by industry sector and subsector**

**All industry sectors**

Sector	Actual cost	Estimated cost	Variance
Corporate sector	\$76.371m	\$95.158m	(\$18.786m)
Deposit taking and credit sector	\$40.757m	\$39.238m	\$1.518m
Investment management, superannuation and related services sector	\$52.968m	\$70.586m	(\$17.618m)

Sector	Actual cost	Estimated cost	Variance
Market infrastructure and intermediaries sector	\$62.003m	\$54.380m	\$7.623m
Financial advice sector	\$59.590m	\$41.412m	\$18.178m
Insurance sector	\$22.287m	\$17.678m	\$4.609m
Large financial institutions sector	\$6.354m	\$5.853m	\$0.501m
<b>Total regulatory costs recovered through levies</b>	<b>\$320.331m</b>	<b>\$324.304m</b>	<b>(\$3.974m)</b>

### Corporate sector

Subsector	Actual cost	Estimated cost	Variance
Listed corporations	\$51.021m	\$71.806m	(\$20.785m)
Unlisted public companies	\$4.952m	\$1.539m	\$3.414m
Large proprietary companies	\$3.932m	\$5.556m	(\$1.625m)
Auditors of disclosing entities	\$7.230m	\$5.928m	\$1.302m
Registered company auditors	\$3.097m	\$2.569m	\$0.528m
Registered liquidators	\$6.139m	\$7.760m	(\$1.621m)
<b>Total regulatory costs recovered through levies</b>	<b>\$76.371m</b>	<b>\$95.158m</b>	<b>(\$18.786m)</b>

Note: The estimated costs in this table differ from those given in the 2019–20 CRIS because they do not include \$10.3 million to regulate small proprietary companies. These costs are not recovered under industry funding levies: see paragraphs 100–101.

### Deposit taking and credit sector

Subsector	Actual cost	Estimated cost	Variance
Credit providers	\$27.307m	\$23.322m	\$3.986m
Small amount credit providers	\$2.023m	\$1.232m	\$0.791m
Credit intermediaries	\$6.892m	\$10.103m	(\$3.211m)
Deposit product providers	\$3.090m	\$2.968m	\$0.123m
Payment product providers	\$1.315m	\$1.401m	(\$0.085m)
Margin lenders	\$0.129m	\$0.213m	(\$0.084m)
<b>Total regulatory costs recovered through levies</b>	<b>\$40.757m</b>	<b>\$39.238m</b>	<b>\$1.518m</b>

### Investment management, superannuation and related services sector

Subsector	Actual cost	Estimated cost	Variance
Superannuation trustees	\$23.816m	\$24.915m	(\$1.099m)

Subsector	Actual cost	Estimated cost	Variance
Responsible entities	\$23.769m	\$29.572m	(\$5.803m)
Wholesale trustees	\$2.611m	\$11.330m	(\$8.720m)
Custodians	\$0.558m	\$1.156m	(\$0.597m)
IDPS operators	\$0.705m	\$1.800m	(\$1.095m)
MDA providers	\$1.092m	\$1.610m	(\$0.518m)
Traditional trustee company service providers	\$0.418m	\$0.204m	\$0.214m
<b>Total regulatory costs recovered through levies</b>	<b>\$52.968m</b>	<b>\$70.586m</b>	<b>(\$17.618m)</b>

#### Market infrastructure and intermediaries sector

Subsector	Actual cost	Estimated cost	Variance
Large securities exchange operators	\$4.192m	\$4.918m	(\$0.726m)
Large futures exchange operators	\$1.513m	\$1.405m	\$0.108m
Small futures exchange operators	\$0.484m	\$0.729m	(\$0.245m)
Small securities exchange operators with self-listing function only	\$0.002m	\$0.023m	(\$0.021m)
Small securities exchange operators	\$0.470m	\$0.744m	(\$0.273m)
New specialised market operators	\$0.045m	\$0.144m	(\$0.099m)
Established specialised market operators	\$0.588m	\$0.701m	(\$0.113m)
Overseas market operators	\$0.236m	\$0.899m	(\$0.662m)
Exempt CS facility operators	\$0.005m	\$0.032m	(\$0.027m)
Tier 1 CS facility operators	\$1.936m	\$2.297m	(\$0.361m)
Tier 2 CS facility operators	\$0.219m	\$0.230m	(\$0.010m)
Tier 3 CS facility operators	\$0.099m	\$0.104m	(\$0.005m)
Tier 4 CS facility operators	\$0.007m	\$0.018m	(\$0.011m)
Australian derivative trade repository operators	\$0.406m	\$0.535m	(\$0.129m)
Exempt market operators	\$0.033m	\$0.450m	(\$0.418m)
Credit rating agencies	\$0.245m	\$0.187m	\$0.058m
Large securities exchange participants	\$19.849m	\$16.947m	\$2.902m



Subsector	Actual cost	Estimated cost	Variance
Large futures exchange participants	\$5.101m	\$2.046m	\$3.055m
Securities dealers	\$1.391m	\$2.657m	(\$1.266m)
Corporate advisers	\$4.678m	\$5.034m	(\$0.356m)
OTC traders	\$9.661m	\$8.089m	\$1.571m
Retail OTC derivatives issuers	\$10.384m	\$5.523m	\$4.861m
Benchmark administrators	\$0.431m	\$0.594m	(\$0.163m)
Wholesale electricity dealers	\$0.028m	\$0.073m	(\$0.045m)
<b>Total regulatory costs recovered through levies</b>	<b>\$62.003m</b>	<b>\$54.380m</b>	<b>\$7.623m</b>

**Financial advice sector**

Subsector	Actual cost	Estimated cost	Variance
Licensees that provide personal advice to retail clients on relevant financial products	\$56.189m	\$40.170m	\$16.019m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	\$1.264m	\$0.168m	\$1.096m
Licensees that provide general advice only	\$2.089m	\$0.829m	\$1.260m
Licensees that provide personal advice to wholesale clients only	\$0.048m	\$0.245m	(\$0.197m)
<b>Total regulatory costs recovered through levies</b>	<b>\$59.590m</b>	<b>\$41.412m</b>	<b>\$18.178m</b>

**Insurance sector**

Subsector	Actual cost	Estimated cost	Variance
Insurance product providers	\$18.130m	\$14.373m	\$3.758m
Insurance product distributors	\$3.876m	\$2.496m	\$1.380m
Risk management product providers	\$0.281m	\$0.809m	(\$0.528m)
<b>Total regulatory costs recovered through levies</b>	<b>\$22.287m</b>	<b>\$17.678m</b>	<b>\$4.609m</b>

**Large financial institutions sector**

Subsector	Actual cost	Estimated cost	Variance
Entities subject to close and continuous monitoring	\$6.354m	\$5.853m	\$0.501m
<b>Total regulatory costs recovered through levies</b>	<b>\$6.354m</b>	<b>\$5.853m</b>	<b>\$0.501m</b>

**Variance analysis by regulatory activity**

460 Table 83–Table 93 explain the variance between actual and estimated costs by regulatory activity for each of the subsectors with a material variance in 2019–20. 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 greater than \$2 million in total.

*Listed corporations*

461 Table 83 breaks down the difference between actual and estimated costs for each of our regulatory activities for the listed corporations subsector. The actual costs for this sector in 2019–20 was \$20.8 million (29%) less than the estimated costs.

462 Total enforcement costs were lower than budgeted. A number of matters reaching the closing stages of the enforcement contributed to the lower than expected costs.

**Table 83: Analysis for subsectors with a material variance—Listed corporations (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$5.099m	\$6.654m	(\$1.555m)
Enforcement	\$17.669m	\$32.933m	(\$15.264m)
Financial capability	\$0.019m	\$0.020m	(\$0.001m)
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.531m</i>	<i>\$0.747m</i>	<i>(\$0.216m)</i>
<i>Education</i>	<i>\$0.419m</i>	<i>\$0.020m</i>	<i>\$0.399m</i>
<i>Guidance</i>	<i>\$0.148m</i>	<i>\$0.312m</i>	<i>(\$0.164m)</i>
<i>Policy advice</i>	<i>\$0.007m</i>	<i>\$0.227m</i>	<i>(\$0.220m)</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$5.396m</i>	<i>\$6.113m</i>	<i>(\$0.717m)</i>
<i>IT support</i>	<i>\$6.536m</i>	<i>\$6.593m</i>	<i>(\$0.057m)</i>
<i>Operations support</i>	<i>\$3.160m</i>	<i>\$4.095m</i>	<i>(\$0.934m)</i>
<i>Property and corporate services</i>	<i>\$7.282m</i>	<i>\$8.055m</i>	<i>(\$0.773m)</i>
<b>Total operating expenditure</b>	<b>\$46.266m</b>	<b>\$65.769m</b>	<b>(\$19.502m)</b>
Allowance for capital expenditure	\$4.168m	\$5.299m	(\$1.130m)
Less costs funded by own-source revenue	(\$0.970m)	(\$0.356m)	(\$0.614m)
Adjustment for market supervision cost recovery	\$0.658m	\$0.658m	\$0.000m

Expense	Actual cost	Estimated cost	Variance
Adjustment for prior year under/(over) recovery	\$0.898m	\$0.437m	\$0.461m
<b>Total costs to be recovered by levy</b>	<b>\$51.021m</b>	<b>\$71.806m</b>	<b>(\$20.785m)</b>

*Unlisted public companies*

- 463 Table 84 breaks down the difference between actual and estimated costs for each of our regulatory activities for the unlisted public companies subsector. The actual costs for this subsector in 2019–20 exceeded our estimated costs by \$3.4 million (26%).
- 464 The variance was mainly due to higher than budgeted enforcement costs. Enforcement costs incurred in the running of a number of matters were higher than expected.

**Table 84: Analysis for subsectors with a material variance—Unlisted public companies (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$0.095m	\$0.153m	(\$0.058m)
Enforcement	\$2.033m	\$0.401m	\$1.632m
Financial capability	\$0.000m	\$0.000m	\$0.000m
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.002m</i>	<i>\$0.003m</i>	<i>(\$0.002m)</i>
<i>Education</i>	<i>\$0.020m</i>	<i>\$0.000m</i>	<i>\$0.019m</i>
<i>Guidance</i>	<i>(\$0.003m)</i>	<i>\$0.002m</i>	<i>(\$0.004m)</i>
<i>Policy advice</i>	<i>(\$0.009m)</i>	<i>\$0.002m</i>	<i>(\$0.011m)</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$0.482m</i>	<i>\$0.132m</i>	<i>\$0.350m</i>
<i>IT support</i>	<i>\$0.521m</i>	<i>\$0.198m</i>	<i>\$0.323m</i>
<i>Operations support</i>	<i>\$0.287m</i>	<i>\$0.095m</i>	<i>\$0.192m</i>
<i>Property and corporate services</i>	<i>\$0.641m</i>	<i>\$0.225m</i>	<i>\$0.416m</i>
<b>Total operating expenditure</b>	<b>\$4.068m</b>	<b>\$1.211m</b>	<b>\$2.857m</b>
Allowance for capital expenditure	\$0.787m	\$0.188m	\$0.599m
Less costs funded by own-source revenue	(\$0.002m)	(\$0.015m)	\$0.013m
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.099m	\$0.154m	(\$0.055m)
<b>Total costs to be recovered by levy</b>	<b>\$4.952m</b>	<b>\$1.539m</b>	<b>\$3.414m</b>

*Credit providers*

- 465 Table 85 breaks down the difference between actual and estimated costs for each of our regulatory activities for the credit provider subsector in 2019–20.
- 466 The actual costs for this subsector exceeded our estimated costs by \$3.9 million (17%). A number of ongoing enforcement matters had higher than expected costs—including costs relating to staffing and external services providers—which contributed to the variance.
- 467 Another contributing factor was the greater than expected regulatory effort needed for industry engagement, education, and provision of guidance and policy advice (e.g. as a result of the onset of the COVID-19 pandemic, and our work relating to the Australian Government’s law reform agenda). This resulted in an increase in the associated indirect costs for our increased regulatory efforts in this subsector.

**Table 85: Analysis for subsectors with a material variance—Credit provider (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$5.090m	\$5.886m	(\$0.795m)
Enforcement	\$5.642m	\$4.524m	\$1.118m
Financial capability	\$2.051m	\$1.814m	\$0.238m
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.855m</i>	<i>\$0.629m</i>	<i>\$0.225m</i>
<i>Education</i>	<i>\$0.171m</i>	<i>\$0.070m</i>	<i>\$0.101m</i>
<i>Guidance</i>	<i>\$0.382m</i>	<i>\$0.252m</i>	<i>\$0.130m</i>
<i>Policy advice</i>	<i>\$0.813m</i>	<i>\$0.525m</i>	<i>\$0.288m</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$2.586m</i>	<i>\$1.941m</i>	<i>\$0.645m</i>
<i>IT support</i>	<i>\$2.576m</i>	<i>\$1.934m</i>	<i>\$0.642m</i>
<i>Operations support</i>	<i>\$1.671m</i>	<i>\$1.401m</i>	<i>\$0.270m</i>
<i>Property and corporate services</i>	<i>\$3.505m</i>	<i>\$2.617m</i>	<i>\$0.888m</i>
<b>Total operating expenditure</b>	<b>\$25.341m</b>	<b>\$21.591m</b>	<b>\$3.750m</b>
Allowance for capital expenditure	\$1.945m	\$1.707m	\$0.239m
Less costs funded by own-source revenue	(\$0.033m)	(\$0.123m)	\$0.090m
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.054m	\$0.148m	(\$0.094m)
<b>Total costs to be recovered by levy</b>	<b>\$27.307m</b>	<b>\$23.322m</b>	<b>\$3.986m</b>

*Credit intermediaries*

- 468 Table 86 breaks down the difference between actual and estimated costs for each of our regulatory activities for the credit intermediaries subsector in 2019–20.
- 469 The actual costs for this subsector were lower than our estimated costs by \$3.2 million (32%). Some enforcement matters had lower than expected costs—including costs relating to staffing and external service providers—which contributed to this difference.
- 470 There was also a decrease in the regulatory costs allocated to this subsector as a result of reallocation of costs to other ASIC teams.

**Table 86: Analysis for subsectors with a material variance—Credit intermediaries (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$1.113m	\$1.939m	(\$0.826m)
Enforcement	\$1.599m	\$2.649m	(\$1.050m)
Financial capability	\$0.449m	\$0.597m	(\$0.148m)
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.189m</i>	<i>\$0.207m</i>	<i>(\$0.018m)</i>
<i>Education</i>	<i>\$0.039m</i>	<i>\$0.023m</i>	<i>\$0.016m</i>
<i>Guidance</i>	<i>\$0.084m</i>	<i>\$0.083m</i>	<i>\$0.001m</i>
<i>Policy advice</i>	<i>\$0.181m</i>	<i>\$0.172m</i>	<i>\$0.009m</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$0.674m</i>	<i>\$0.846m</i>	<i>(\$0.171m)</i>
<i>IT support</i>	<i>\$0.669m</i>	<i>\$0.826m</i>	<i>(\$0.157m)</i>
<i>Operations support</i>	<i>\$0.439m</i>	<i>\$0.611m</i>	<i>(\$0.172m)</i>
<i>Property and corporate services</i>	<i>\$0.934m</i>	<i>\$1.146m</i>	<i>(\$0.212m)</i>
<b>Total operating expenditure</b>	<b>\$6.371m</b>	<b>\$9.100m</b>	<b>(\$2.729m)</b>
Allowance for capital expenditure	\$0.450m	\$0.724m	(\$0.274m)
Less costs funded by own-source revenue	(\$0.001m)	(\$0.054m)	\$0.053m
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.072m	\$0.333m	(\$0.261m)
<b>Total costs to be recovered by levy</b>	<b>\$6.892m</b>	<b>\$10.103m</b>	<b>(\$3.211m)</b>

*Responsible entities*

- 471 Table 87 breaks down the difference between actual and estimated costs for each of our regulatory activities for the responsible entities subsector in 2019–20.
- 472 The actual costs for the subsector were \$5.8 million (20%) lower than our estimated costs. Enforcement costs were lower than budgeted and this was the main driver for the variance. Certain matters reaching the closing stages of the enforcement contributed to the variance.

**Table 87: Analysis for subsectors with a material variance—Responsible entities (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$2.196m	\$2.318m	(\$0.122m)
Enforcement	\$6.745m	\$13.016m	(\$6.270m)
Financial capability	\$1.216m	\$0.994m	\$0.222m
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.320m</i>	<i>\$0.161m</i>	<i>\$0.159m</i>
<i>Education</i>	<i>\$0.062m</i>	<i>\$0.007m</i>	<i>\$0.055m</i>
<i>Guidance</i>	<i>\$0.794m</i>	<i>\$0.371m</i>	<i>\$0.423m</i>
<i>Policy advice</i>	<i>\$0.581m</i>	<i>\$0.174m</i>	<i>\$0.408m</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$2.366m</i>	<i>\$2.522m</i>	<i>(\$0.156m)</i>
<i>IT support</i>	<i>\$2.449m</i>	<i>\$2.463m</i>	<i>(\$0.014m)</i>
<i>Operations support</i>	<i>\$1.536m</i>	<i>\$1.787m</i>	<i>(\$0.251m)</i>
<i>Property and corporate services</i>	<i>\$3.141m</i>	<i>\$3.180m</i>	<i>(\$0.039m)</i>
<b>Total operating expenditure</b>	<b>\$21.406m</b>	<b>\$26.991m</b>	<b>(\$5.585m)</b>
Allowance for capital expenditure	\$2.219m	\$2.381m	(\$0.163m)
Less costs funded by own-source revenue	(\$0.547m)	(\$0.154m)	(\$0.394m)
Adjustment for market supervision cost recovery	\$0.219m	\$0.219m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.472m	\$0.133m	\$0.339m
<b>Total costs to be recovered by levy</b>	<b>\$23.769m</b>	<b>\$29.572m</b>	<b>(\$5.803m)</b>

*Wholesale trustees*

- 473 Table 88 breaks down the difference between actual and estimated costs for each of our regulatory activities for the wholesale trustees subsector.

474 The actual costs for the subsector were \$8.7 million (77%) lower than our estimated costs. This was mainly due to enforcement costs being lower than budgeted.

**Table 88: Analysis for subsectors with a material variance—Wholesale trustees (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$0.081m	\$0.184m	(\$0.103m)
Enforcement	\$1.081m	\$6.527m	(\$5.446m)
Financial capability	\$0.038m	\$0.078m	(\$0.041m)
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.015m</i>	<i>\$0.013m</i>	<i>\$0.002m</i>
<i>Education</i>	<i>\$0.003m</i>	<i>\$0.001m</i>	<i>\$0.003m</i>
<i>Guidance</i>	<i>\$0.027m</i>	<i>\$0.029m</i>	<i>(\$0.002m)</i>
<i>Policy advice</i>	<i>\$0.021m</i>	<i>\$0.015m</i>	<i>\$0.006m</i>
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$0.247m</i>	<i>\$0.863m</i>	<i>(\$0.616m)</i>
<i>IT support</i>	<i>\$0.233m</i>	<i>\$0.781m</i>	<i>(\$0.548m)</i>
<i>Operations support</i>	<i>\$0.145m</i>	<i>\$0.579m</i>	<i>(\$0.434m)</i>
<i>Property and corporate services</i>	<i>\$0.299m</i>	<i>\$1.010m</i>	<i>(\$0.711m)</i>
<b>Total operating expenditure</b>	<b>\$2.190m</b>	<b>\$10.080m</b>	<b>(\$7.890m)</b>
Allowance for capital expenditure	\$0.151m	\$0.797m	(\$0.645m)
Less costs funded by own-source revenue	(\$0.001m)	(\$0.050m)	\$0.050m
Adjustment for market supervision cost recovery	\$0.219m	\$0.219m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.050m	\$0.284m	(\$0.234m)
<b>Total costs to be recovered by levy</b>	<b>\$2.611m</b>	<b>\$11.330m</b>	<b>(\$8.720m)</b>

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

475 Table 89 breaks down the difference between actual and estimated costs for each of our regulatory activities for the licensees that provide personal advice to retail clients on relevant financial products subsector.

476 The actual costs for the subsector were \$16.0 million (40%) higher than our estimated costs. Costs associated with certain ongoing enforcement matters (e.g. in relation to staffing and external services providers) were higher than initially budgeted.

- 477 In total, approximately 17% of ASIC’s enforcement matters in 2019–20 related to financial advice. Examples of enforcement outcomes that contributed to ASIC’s regulatory costs for the financial advice sector include:
- (a) *the sentencing of Anthony Dick for using client money to fund his lifestyle*—Mr Dick accessed around \$1.1 million from his client’s superannuation, pension and personal savings accounts between March 2006 and December 2017. His clients included unsophisticated investors and intellectually disabled consumers. He was convicted of 11 counts of fraud and sentenced to eight years’ imprisonment with a non-parole period of two years and eight months. In sentencing Mr Dick, the judge described his conduct as having had a significant impact on his victims and diminishing public trust in the financial services industry; and
  - (b) *action against AMP for failing to prevent insurance churn by financial planners*—The Federal Court found that AMP failed to take reasonable steps to ensure its financial planners complied with the best interests duty and related obligations under the Corporations Act. The court also found that there was evidence of AMP’s financial planners engaging in ‘rewriting conduct’. Part of the court’s orders required AMP to implement a remediation program to identify and remediate affected clients.
- 478 As a result of the variance in direct costs, indirect costs allocated to the subsector were also higher than our estimated costs.

**Table 89: Analysis for subsectors with a material variance—Licensees that provide personal advice to retail clients on relevant financial products (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$7.185m	\$7.548m	(\$0.363m)
Enforcement	\$19.861m	\$12.332m	\$7.529m
Financial capability	\$1.331m	\$1.178m	\$0.154m
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.240m</i>	<i>\$0.419m</i>	<i>(\$0.179m)</i>
<i>Education</i>	<i>\$0.272m</i>	<i>\$0.194m</i>	<i>\$0.079m</i>
<i>Guidance</i>	<i>\$0.455m</i>	<i>\$0.596m</i>	<i>(\$0.141m)</i>
<i>Policy advice</i>	<i>\$0.824m</i>	<i>\$0.115m</i>	<i>\$0.709m</i>



Expense	Actual cost	Estimated cost	Variance
Indirect costs			
<i>Governance, central strategy and legal</i>	\$6.754m	\$4.332m	\$2.422m
<i>IT support</i>	\$5.352m	\$3.149m	\$2.203m
<i>Operations support</i>	\$3.279m	\$2.237m	\$1.043m
<i>Property and corporate services</i>	\$6.760m	\$4.231m	\$2.529m
<b>Total operating expenditure</b>	<b>\$52.314m</b>	<b>\$36.329m</b>	<b>\$15.985m</b>
Allowance for capital expenditure	\$4.902m	\$3.786m	\$1.115m
Less costs funded by own-source revenue	(\$1.150m)	(\$0.197m)	(\$0.952m)
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.122m	\$0.252m	(\$0.129m)
<b>Total costs to be recovered by levy</b>	<b>\$56.189m</b>	<b>\$40.170m</b>	<b>\$16.019m</b>

*Large securities exchange participants*

- 479 Table 90 breaks down the difference between actual and estimated costs for each of our regulatory activities for the large securities exchange participants subsector.
- 480 The actual costs for the subsector were \$2.9 million (17%) higher than our estimated costs. Higher than anticipated enforcement costs contributed to this variance.

**Table 90: Analysis for subsectors with a material variance—Large securities exchange participants (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$3.739m	\$4.225m	(\$0.486m)
Enforcement	\$3.813m	\$2.110m	\$1.702m
Financial capability	\$0.000m	\$0.000m	\$0.000m
Other regulatory activities			
<i>Industry engagement</i>	\$1.148m	\$1.614m	(\$0.466m)
<i>Education</i>	\$0.062m	\$0.035m	\$0.027m
<i>Guidance</i>	\$0.457m	\$0.643m	(\$0.185m)
<i>Policy advice</i>	\$0.211m	\$0.152m	\$0.059m

Expense	Actual cost	Estimated cost	Variance
Indirect costs			
<i>Governance, central strategy and legal</i>	<i>\$2.123m</i>	<i>\$1.610m</i>	<i>\$0.513m</i>
<i>IT support</i>	<i>\$1.889m</i>	<i>\$1.064m</i>	<i>\$0.825m</i>
<i>Operations support</i>	<i>\$1.104m</i>	<i>\$0.856m</i>	<i>\$0.248m</i>
<i>Property and corporate services</i>	<i>\$2.420m</i>	<i>\$1.579m</i>	<i>\$0.841m</i>
<b>Total operating expenditure</b>	<b>\$16.966m</b>	<b>\$13.888m</b>	<b>\$3.078m</b>
Allowance for capital expenditure	\$1.300m	\$1.216m	\$0.084m
Less costs funded by own-source revenue	(\$0.311m)	(\$0.072m)	(\$0.240m)
Adjustment for market supervision cost recovery	\$1.895m	\$1.895m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m	\$0.020m	(\$0.020m)
<b>Total costs to be recovered by levy</b>	<b>\$19.849m</b>	<b>\$16.947m</b>	<b>\$2.902m</b>

*Large futures exchange participants*

- 481 Table 91 breaks down the difference between actual and estimated costs for each of our regulatory activities for the large futures exchange participants subsector.
- 482 The actual costs for the subsector were \$3.1 million (149%) higher than our estimated costs. This was largely due to higher than budgeted enforcement costs.

**Table 91: Analysis for subsectors with a material variance—Large futures exchange participants (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$0.774m	\$0.641m	\$0.133m
Enforcement	\$1.299m	\$0.050m	\$1.249m
Financial capability	\$0.000m	\$0.000m	\$0.000m
Other regulatory activities			
<i>Industry engagement</i>	<i>\$0.237m</i>	<i>\$0.226m</i>	<i>\$0.011m</i>
<i>Education</i>	<i>\$0.013m</i>	<i>\$0.005m</i>	<i>\$0.008m</i>
<i>Guidance</i>	<i>\$0.095m</i>	<i>\$0.091m</i>	<i>\$0.003m</i>
<i>Policy advice</i>	<i>\$0.036m</i>	<i>\$0.023m</i>	<i>\$0.013m</i>

Expense	Actual cost	Estimated cost	Variance
Indirect costs			
<i>Governance, central strategy and legal</i>	\$0.565m	\$0.206m	\$0.359m
<i>IT support</i>	\$0.508m	\$0.150m	\$0.358m
<i>Operations support</i>	\$0.303m	\$0.105m	\$0.198m
<i>Property and corporate services</i>	\$0.663m	\$0.195m	\$0.468m
<b>Total operating expenditure</b>	<b>\$4.494m</b>	<b>\$1.693m</b>	<b>\$2.802m</b>
Allowance for capital expenditure	\$0.397m	\$0.152m	\$0.245m
Less costs funded by own-source revenue	(\$0.001m)	(\$0.009m)	\$0.008m
Adjustment for market supervision cost recovery	\$0.211m	\$0.211m	\$0.000m
Adjustment for prior year (under over recovery)	\$0.000m	\$0.000m	\$0.000m
<b>Total costs to be recovered by levy</b>	<b>\$5.101m</b>	<b>\$2.046m</b>	<b>\$3.055m</b>

*Retail OTC derivatives issuers*

- 483 Table 92 breaks down the difference between actual and estimated costs for each of our regulatory activities for the retail OTC derivatives issuers subsector.
- 484 The actual costs for the subsector were \$4.9 million (88%) higher than our estimated costs. This was mainly due to higher than budgeted enforcement costs.
- 485 Greater than anticipated regulatory effort in relation to supervisory work also contributed to higher direct and indirect costs.

**Table 92: Analysis for subsectors with a material variance—Retail OTC derivatives issuers (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$1.660m	\$1.279m	\$0.381m
Enforcement	\$3.556m	\$1.232m	\$2.324m
Financial capability	\$0.000m	\$0.000m	\$0.000m
Other regulatory activities			
<i>Industry engagement</i>	\$0.507m	\$0.437m	\$0.070m
<i>Education</i>	\$0.027m	\$0.011m	\$0.016m
<i>Guidance</i>	\$0.203m	\$0.176m	\$0.027m
<i>Policy advice</i>	\$0.088m	\$0.052m	\$0.036m

Expense	Actual cost	Estimated cost	Variance
Indirect costs			
<i>Governance, central strategy and legal</i>	\$1.106m	\$0.504m	\$0.601m
<i>IT support</i>	\$0.950m	\$0.441m	\$0.509m
<i>Operations support</i>	\$0.510m	\$0.278m	\$0.232m
<i>Property and corporate services</i>	\$1.030m	\$0.496m	\$0.534m
<b>Total operating expenditure</b>	<b>\$9.637m</b>	<b>\$4.907m</b>	<b>\$4.730m</b>
Allowance for capital expenditure	\$0.707m	\$0.418m	\$0.289m
Less costs funded by own-source revenue	(\$0.000m)	(\$0.024m)	\$0.024m
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.040m	\$0.223m	(\$0.182m)
<b>Total costs to be recovered by levy</b>	<b>\$10.384m</b>	<b>\$5.523m</b>	<b>\$4.861m</b>

*Insurance product providers*

- 486 Table 93 breaks down the difference between actual and estimated costs for each of our regulatory activities for the insurance product providers subsector.
- 487 The actual costs for the subsector were \$3.8 million (26%) higher than our estimated costs. The variance was largely due to a reallocation of regulatory efforts, which more appropriately attributed the cost of certain workstreams to this subsector. Higher than budgeted enforcement costs also contributed to the overall variance.

**Table 93: Analysis for subsectors with a material variance—Insurance product providers (2019–20)**

Expense	Actual cost	Estimated cost	Variance
Supervision and surveillance	\$3.704m	\$5.00m	(\$1.296m)
Enforcement	\$1.408m	\$0.673m	\$0.735m
Financial capability	\$2.012m	\$1.536m	\$0.476m
Other regulatory activities			
<i>Industry engagement</i>	\$0.925m	\$0.534m	\$0.391m
<i>Education</i>	\$0.212m	\$0.059m	\$0.152m
<i>Guidance</i>	\$0.173m	\$0.214m	(\$0.041m)
<i>Policy advice</i>	\$1.784m	\$0.447m	\$1.337m

Expense	Actual cost	Estimated cost	Variance
Indirect costs			
<i>Governance, central strategy and legal</i>	\$1.686m	\$1.190m	\$0.497m
<i>IT support</i>	\$1.734m	\$1.227m	\$0.507m
<i>Operations support</i>	\$1.109m	\$0.870m	\$0.239m
<i>Property and corporate services</i>	\$2.467m	\$1.637m	\$0.830m
<b>Total operating expenditure</b>	<b>\$17.213m</b>	<b>\$13.387m</b>	<b>\$3.826m</b>
Allowance for capital expenditure	\$1.296m	\$1.063m	\$0.234m
Less costs funded by own-source revenue	(\$0.000m)	(\$0.077m)	\$0.077m
Adjustment for market supervision cost recovery	\$0.000m	\$0.000m	\$0.000m
Adjustment for prior year (under or over recovery)	(\$0.379m)	\$0.000m	(\$0.379m)
<b>Total costs to be recovered by levy</b>	<b>\$18.130m</b>	<b>\$14.373m</b>	<b>\$3.758m</b>

### Annual dashboard

- 488 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.
- 489 Appendix 1 sets out the annual dashboard report for 2019–20. Table 97 shows, for each sector, how we have apportioned our costs in 2019–20 by the type of activity undertaken and the expenses incurred. Table 98 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

- 490 We estimate that approximately \$12.6 million of our regulatory costs will be recovered under the fees-for-service model in 2020–21, based on historic volumes of applications: see Table 94.

**Table 94: Actual and estimated expenses, revenue and variances**

Figure type	Actual figures for 2019–20	Estimates for 2020–21	Estimates for 2021–22	Estimates for 2022–23
Expenses	\$29.4m	\$12.6m	\$12.5m	\$12.5m
Revenue	\$11.2m	\$12.6m	\$12.5m	\$12.5m
Variance (revenue minus expenses)	(\$18.2m)	Nil	Nil	Nil

Note: See Section N for a discussion of the risk that the fees for service will not match our actual regulatory costs.

491 The variance for 2019–20 is due to an increase in costs since 2017, when the fees were set.

492 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

493 The invoices for industry funding levies are issued each January. 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

494 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 any 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

495 There are a number of ways in which ASIC provides information on the non-financial performance of our regulatory activities.

### Corporate plan

496 We published our [Corporate Plan 2020–24: Focus 2020–21](#) in August 2020. The corporate plan outlines our vision and our strategic priorities to achieve them.

497 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

498 Our [Annual Report 2020–21](#) was released in October 2021. The report is a record of ASIC’s activities and performance in 2020–21. 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**

499 We published our self-assessment under the Regulator Performance Framework for 2019–20 in May 2021: see [Report 691](#) *Regulator Performance Framework: ASIC self-assessment 2019–20* (REP 691).

### **Fees for service**

500 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**

501 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.

502 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**

503 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*

504 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, such as applications for licences or relief from the law.

505 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.

506 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*

507 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; and
- (b) *compliance review of documents*—we provide [updates on our corporate finance regulation activities](#) through quarterly newsletters. These updates highlight key developments in our regulation and oversight of fundraisings, mergers and acquisitions transactions, corporate governance, and other general corporate finance matters.



## Q Key events and dates

### Key points

This section sets out an outline of the key events and estimated dates for industry funding.

**Table 95: Key events and estimated dates**

Key event	Estimated date
We published on our website the annual dashboard report for 2019–20	March 2021
We sent invoices for 2019–20	March 2021
Invoices due for payment	April 2021
We published the draft CRIS (including indicative levies and the annual dashboard report) for feedback	July 2021
ASIC portal opened for 2020–21 annual returns	July to September 2021
We published the Corporate Plan for 2021–22 to 2024–25	August 2021
We published the final CRIS for 2020–21	October 2021
We published our Annual Report 2020–21	October 2021
We finalise regulatory cost estimates for 2022–23	November 2021
We publish a legislative instrument with business activity details	December 2021
We send invoices for 2020–21	January 2022
We publish the 2021–22 CRIS for feedback	March 2022
Consultation on fees for service	Every three years from June 2018, or earlier (if there is an unforeseen change or material variance in the cost and revenue)

## R CRIS approval and change register

### Key points

The table below shows approvals and changes relating to this CRIS.

The Charging Risk Assessment rating for this CRIS is high.

**Table 96: CRIS approval and change register**

Date	Description	Approved by	Comments
October 2021	Certification of the CRIS	ASIC Chair	N/A
November 2021	Approval of the CRIS	Approved by the Treasurer and agreed for release by the Minister for Finance	N/A

## Appendix 1: Annual dashboard report

508 We must publish an annual dashboard report each year, setting out information about our regulatory costs for the previous financial year: see s138 of the ASIC Act. Table 97 and Table 98 comprise the annual dashboard report for 2019–20.

509 Table 97 shows how we have apportioned our regulatory costs in 2019–20 for each sector by the type of activity undertaken and the different kinds of expenses we have incurred.

**Table 97: Total regulatory costs recoverable through levies in 2019–20 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	Large financial institutions sector	All industry sectors
Surveillance	\$9.542m	\$7.234m	\$6.518m	\$13.083m	\$7.492m	\$3.857m	\$3.714m	\$51.440m
Enforcement	\$24.831m	\$9.194m	\$13.682m	\$11.086m	\$21.195m	\$3.579m	\$0.021m	\$83.589m
Financial capability	\$0.020m	\$2.913m	\$2.711m	\$0.006m	\$1.371m	\$2.083m	\$0.000m	\$9.103m
Other regulatory activities								
<i>Industry engagement</i>	<i>\$0.802m</i>	<i>\$1.215m</i>	<i>\$0.685m</i>	<i>\$3.926m</i>	<i>\$0.247m</i>	<i>\$0.959m</i>	<i>\$0.000m</i>	<i>\$7.835m</i>
<i>Education</i>	<i>\$0.587m</i>	<i>\$0.245m</i>	<i>\$0.217m</i>	<i>\$0.212m</i>	<i>\$0.303m</i>	<i>\$0.219m</i>	<i>\$0.000m</i>	<i>\$1.784m</i>
<i>Guidance</i>	<i>\$0.220m</i>	<i>\$0.543m</i>	<i>\$1.497m</i>	<i>\$1.591m</i>	<i>\$0.465m</i>	<i>\$0.183m</i>	<i>\$0.000m</i>	<i>\$4.498m</i>
<i>Policy advice</i>	<i>\$0.270m</i>	<i>\$1.154m</i>	<i>\$1.601m</i>	<i>\$1.126m</i>	<i>\$0.835m</i>	<i>\$1.835m</i>	<i>\$0.000m</i>	<i>\$6.820m</i>

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	Large financial institutions sector	All industry sectors
Indirect costs								
<i>Governance, central strategy and legal</i>	\$8.254m	\$3.911m	\$5.125m	\$6.267m	\$7.184m	\$2.075m	\$0.164m	\$32.979m
<i>IT support</i>	\$9.391m	\$3.878m	\$5.364m	\$5.633m	\$5.820m	\$2.078m	\$0.276m	\$32.440m
<i>Operations support</i>	\$4.874m	\$2.508m	\$3.381m	\$3.225m	\$3.524m	\$1.302m	\$0.518m	\$19.332m
<i>Property and corporate services</i>	\$10.912m	\$5.259m	\$7.027m	\$7.111m	\$7.319m	\$2.832m	\$1.058m	\$41.519m
<b>Total operating expenditure</b>	<b>\$69.704m</b>	<b>\$38.053m</b>	<b>\$47.807m</b>	<b>\$53.266m</b>	<b>\$55.756m</b>	<b>\$21.003m</b>	<b>\$5.751m</b>	<b>\$291.339m</b>
Allowance for capital expenditure	\$6.493m	\$2.940m	\$4.467m	\$4.399m	\$5.211m	\$1.647m	\$0.603m	\$25.761m
Less costs funded by own-source revenue	(\$1.825m)	(\$0.035m)	(\$0.550m)	(\$0.652m)	(\$1.512m)	(\$0.001m)	\$0.000m	(\$4.576m)
Adjustment for market supervision cost recovery	\$0.658m	\$0.000m	\$0.658m	\$3.070m	\$0.000m	\$0.000m	\$0.000m	\$4.386m
Adjustment for prior year (under or over recovery)	\$1.342m	(\$0.202m)	\$0.587m	\$1.920m	\$0.135m	(\$0.362m)	\$0.000m	\$3.420m
<b>Total costs to be recovered by levy</b>	<b>\$76.371m</b>	<b>\$40.757m</b>	<b>\$52.968m</b>	<b>\$62.003m</b>	<b>\$59.590m</b>	<b>\$22.287m</b>	<b>\$6.354m</b>	<b>\$320.331m</b>

510 Table 98 shows our total regulatory costs for 2019–20 and how we have apportioned those costs across each sector and subsector.

**Table 98: Total regulatory costs recoverable through levies in 2019–20 by industry sector and subsector**

**All industry sectors**

Sector	Cost
Corporate sector	\$76.371m
Deposit taking and credit sector	\$40.757m
Investment management, superannuation and related services sector	\$52.968m
Market infrastructure and intermediaries sector	\$62.003m
Financial advice sector	\$59.590m
Insurance sector	\$22.287m
Large financial institutions sector	\$6.354m
<b>Total regulatory costs recovered through levies</b>	<b>\$320.331m</b>

**Corporate sector**

Subsector	Cost
Listed corporations	\$51.021m
Unlisted public companies	\$4.952m
Large proprietary companies	\$3.932m
Auditors of disclosing entities	\$7.230m
Registered company auditors	\$3.097m
Registered liquidators	\$6.139m
<b>Total regulatory costs recovered through levies</b>	<b>\$76.371m</b>

**Deposit taking and credit sector**

Subsector	Cost
Credit providers	\$27.307m
Small amount credit providers	\$2.023m

Subsector	Cost
Credit intermediaries	\$6.892m
Deposit product providers	\$3.090m
Payment product providers	\$1.315m
Margin lenders	\$0.129m
<b>Total regulatory costs recovered through levies</b>	<b>\$40.757m</b>

#### Investment management, superannuation and related services sector

Subsector	Cost
Superannuation trustees	\$23.816m
Responsible entities	\$23.769m
Wholesale trustees	\$2.611m
Custodians	\$0.558m
IDPS operators	\$0.705m
MDA providers	\$1.092m
Traditional trustee company service providers	\$0.418m
<b>Total regulatory costs recovered through levies</b>	<b>\$52.968m</b>

#### Market infrastructure and intermediaries sector

Subsector	Cost
Large securities exchange operators	\$4.192m
Large futures exchange operators	\$1.513m
Small futures exchange operators	\$0.484m
Small securities exchange operators with self-listing function only	\$0.002m
Small securities exchange operators	\$0.470m
New specialised market operators	\$0.045m
Established specialised market operators	\$0.588m
Overseas market operators	\$0.236m
Exempt CS facility operators	\$0.005m

Subsector	Cost
Tier 1 CS facility operators	\$1.936m
Tier 2 CS facility operators	\$0.219m
Tier 3 CS facility operators	\$0.099m
Tier 4 CS facility operators	\$0.007m
Australian derivative trade repository operators	\$0.406m
Exempt market operators	\$0.033m
Credit rating agencies	\$0.245m
Large securities exchange participants	\$19.849m
Large futures exchange participants	\$5.101m
Securities dealers	\$1.391m
Corporate advisers	\$4.678m
OTC traders	\$9.661m
Retail OTC derivatives issuers	\$10.384m
Benchmark administrators	\$0.431m
Wholesale electricity dealers	\$0.028m
<b>Total regulatory costs recovered through levies</b>	<b>\$62.003m</b>

#### Financial advice sector

Subsector	Cost
Licensees that provide personal advice to retail clients on relevant financial products	\$56.189m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	\$1.264m
Licensees that provide general advice only	\$2.089m
Licensees that provide personal advice to wholesale clients only	\$0.048m
<b>Total regulatory costs recovered through levies</b>	<b>\$59.590m</b>

**Insurance sector**

<b>Subsector</b>	<b>Cost</b>
Insurance product providers	\$18.130m
Insurance product distributors	\$3.876m
Risk management product providers	\$0.281m
<b>Total regulatory costs recovered through levies</b>	<b>\$22.287m</b>

**Large financial institutions sector**

<b>Subsector</b>	<b>Cost</b>
Entities subject to close and continuous monitoring	\$6.354m
<b>Total regulatory costs recovered through levies</b>	<b>\$6.354m</b>



## Appendix 2: Fees-for-service schedules

511 This appendix sets out the schedule for our flat fees for service (Table 99) and our tiered fees for service (Table 100). Forms with no fees attached are those that do not require a regulatory decision.

**Table 99: 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
342	Application for consent from ASIC to resign as an auditor of a public company	\$40
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

Form code	Form description	Fee
754G	Replacement short form prospectus for equities Note: Fee also applies to subforms 754GA and 754GB.	\$802
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. The registration fee applies to Form RL50.	\$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

Form code	Form description	Fee
5071	Application for direction that paragraph 448C(3)(b) does not apply	\$156
5100	Application for registration of managed investment scheme Note: Fee also applies to subforms 5100A, 5100B and 5100C. Fee includes Form 5101A <i>Notification of change to managed investment scheme's constitution</i> , Form 5102A <i>Compliance plan for managed investment scheme</i> and Form 5103 <i>Directors' statement relating to application for registration of a managed investment scheme</i> .	\$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
5113	Application for consent to resign as compliance plan auditor	No fee
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 <i>Notice of date set for determining holders of securities—Off market</i> , Form 672 <i>Notice of status of defeating condition—Unquoted bid class securities</i> (including subforms 672A and 672B), Form 6011 <i>Notice of service of bidder's statement—Off market</i> , and Form 6201 <i>Notice that takeover offers have been sent—Off market</i> .	\$5,264

Form code	Form description	Fee
6211	Target statement and reports—Off market	\$2,565
6261	Notice of offers free of defeating condition—Off market bid	\$160
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 <i>Document accompanying bidder's statement—On market.</i>	\$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
TBC	Eligible applicant requests	\$468
TBC	Application for benchmark administrator licence (s908BD)	\$85,888
TBC	Application to be exempted from requirement to hold benchmark administrator licence	\$38,651
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

Form code	Form description	Fee
CL73	Application for extension of time to lodge credit trust accounts Note: Fee also applies to subforms CL73A and CL73B.	\$1,155
CR762	Application for approval of guarantees under reg 7.6.02AAA(3)(b)	\$1,540
TBC	Clearing and settlement facility licence—Application for revocation of exemption	No fee
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	\$38,651
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	\$38,651
M07	Notice of changes to Securities Exchanges 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

Form code	Form description	Fee
M24	Application for exemption and modification for self-listed licensee or related body corporate	\$17,180
M31	Application for ASIC to make decisions and take action in conflict or potential conflict situations	\$3,487
M66	Application for market integrity rule waiver	\$14,775
TBC	Application for revocation of exemption—Markets	No fee
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
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
TBC	Application to cancel or suspend benchmark administrator licence (s908BI(1)(c))	\$12,886
TBC	Application for revocation or cancellation of Australian market (s797B(c))	No fee
TBC	Application for revocation or cancellation of clearing and settlement facility licence (s826B(c))	No fee
TBC	Application for revocation or cancellation of Australian trade repository licence (s905H(c))	No fee
TBC	Application to vary benchmark administrator licence to change of name of administrator (s908BH(a))	\$1,549
TBC	Application to change details of benchmark administrator licence (s908BH(b))	\$38,651
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
SFCAN	Self-managed superannuation funds—Application for cancellation of registration as SMSF auditor	\$899

Form code	Form description	Fee
SFVAR	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
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 reg 5 of the Fees Regulations (new hourly rate of \$175.95 up to a maximum of \$300,000 in a 12-month period)
TBC	Australian trade repository licence—Change of name	\$1,549
TBC	Markets—Application for variation of exemption on clearing and settlement facility licence	\$17,179
TBC	Markets—Application for variation of exemption for a financial market or particular type of financial market	\$17,179
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
XFRACS	Application to approve a compliance scheme under s921K(1)	\$10,147
5058	Application to reduce period for s218 notice of meeting	\$130
M25	Application for declaration under s1071h	\$323

Note: \* In response to the COVID-19 pandemic, the Australian Government is temporarily waiving the registered liquidator application fee and registration fee, effective from 1 January 2021 to 30 June 2022. This is to encourage more practitioners to enter or re-enter the industry.

**Table 100: Tiered fees for service for our regulatory activities**

**Form CL01 Australian credit licence application (electronic format)**

Applicant type	Authorisation	Fee
Individual	Other than credit provider	\$1,798
Individual	Credit provider	\$3,468

Applicant type	Authorisation	Fee
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 CL01 Australian credit licence application (paper format)**

Applicant type	Authorisation	Fee
Individual	Other than credit provider	\$1,823
Individual	Credit provider	\$3,493
Other than an individual	Other than credit provider	\$2,080
Other than an individual	Credit provider	\$4,649

#### **Form CL03 Vary authorisations or conditions of an Australian credit licence (electronic format)**

Applicant type	Authorisation	Fee
Individual	Credit provider	\$2,183
Individual	Other than a credit provider	\$1,156
Other than an individual	Credit provider	\$2,826
Other than an individual	Other than a credit provider	\$1,284

Note: Fee also applies to subforms CL03A, CL03B, CL03C and CL03Z.

#### **Form CL03 Vary authorisations or conditions of an Australian credit licence (paper format)**

Applicant type	Authorisation	Fee
Individual	Credit provider	\$2,208
Individual	Other than a credit provider	\$1,181
Other than an individual	Credit provider	\$2,851
Other than an individual	Other than a credit provider	\$1,309

#### **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



Client type	Applicant type	Complexity level	Fee
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 Application for renewal of registration by a registered liquidator**

Timing of submission	Fee
Standard—lodged within one month before renewal date	\$1,920
Early bird—lodged more than one month before renewal date	\$1,720

Note: Fee also applies to subforms RL05A and RL05B.

## Appendix 3: List of non-confidential respondents

- Martin Bocxe
- Stockbrokers and Financial Advisers Association (SAFAA)
- Burrell Stockbroking & Wealth Management
- The Investment Collective
- Financial Services Council (FSC)
- Australian Restructuring Insolvency & Turnaround Association (ARITA)
- Financial Planning Association (FPA)
- Institute of Public Accountants (IPA)
- Morgans Financial Limited
- Levi Consulting Pty Ltd
- Australian Financial Markets Association (AFMA)
- Association of Financial Advisers (AFA)
- Chartered Accountants of Australia and New Zealand (CAANZ)
- Association of Superannuation Funds of Australia Limited (ASFA)

## Key terms

Term	Meaning in this document
2019–20 CRIS	<a href="#"><i>Cost Recovery Implementation Statement: ASIC industry funding model (2019–20)</i></a>
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
allowance for capital expenditure	A figure equal to ASIC's departmental capital budget and equity injection appropriations to develop infrastructure to support new regulatory responsibilities
APRA	Australian Prudential Regulation Authority
ARFP	Asia Region Funds Passport
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
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 Cost Recovery Levy Regulations
Australian market licence	An Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
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)
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
corporate advisers	Has the meaning given in reg 63 of the Cost Recovery Levy Regulations

Term	Meaning in this document
Cost Recovery Guidelines	<a href="#">Australian Government Cost Recovery Guidelines</a>
Cost Recovery Levy Act	<i>ASIC Supervisory Cost Recovery Levy Act 2017</i>
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 provider	Has the meaning given in s5 of the National Credit Act
credit rating agencies	Has the meaning given in reg 60 of the Cost Recovery Levy Regulations
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
custodian	A person with primary contractual responsibility to an AFS licensee to act as, or directly or indirectly engage, an asset holder
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)
exempt CS facility operators	Market infrastructure providers that hold an exemption from the requirement to hold a CS facility licence

Term	Meaning in this document
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: <ul style="list-style-type: none"> <li>• licensing application or variation services;</li> <li>• registration application services;</li> <li>• compliance review of documents lodged with ASIC;</li> <li>• requests for changes to market operating rules; and</li> <li>• assessing applications for relief</li> </ul>
Fees Regulations	Corporations (Fees) Regulations 2001
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: <ul style="list-style-type: none"> <li>• 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</li> <li>• could reasonably be regarded as being intended to have such an influence.</li> </ul> <p>This does not include anything in an exempt document</p> <p>Note: This is a definition contained in s766B of the Corporations Act.</p>
Financial Services Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
flat levy	Has the meaning given in paragraphs 67–68
FSI	Financial System Inquiry
FTE staff	Full-time equivalent staff
FYE	Full-year equivalent
general advice	Financial product advice that is not personal advice <p>Note: This is a definition contained in s766B(4) of the Corporations Act.</p>
graduated levy	A levy based on the graduated levy component formula, where all entities in a subsector must pay: <ul style="list-style-type: none"> <li>• a minimum levy; and</li> <li>• an additional variable component, based on each entity's share of relevant activity within the subsector</li> </ul>

Term	Meaning in this document
IDPS	An investor directed portfolio service as defined in <a href="#">Class Order [CO 13/763]</a> <i>Investor directed portfolio services</i> or any instrument that amends or replaces that class order
IDPS operator	An entity that operates an IDPS
INFO 210 (for example)	An ASIC information sheet (in this example numbered 210)
insurance product distributors	Has the meaning given in reg 70 of the Cost Recovery Levy Regulations
insurance product providers	Has the meaning given in reg 72 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
LIF reforms	The Life Insurance Framework reforms, which came into effect on 1 January 2018
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
margin lenders	Has the meaning given in reg 23 of the Cost Recovery Levy Regulations
market licensee	The holder of an Australian market licence Note: This is a definition contained in s761A of the Corporations Act.
market participants	Has the meaning given in s761A of the Corporations Act
market supervision cost recovery	Cost recovery for market competition associated with the transfer of the market supervision function to ASIC in 2010.
market surveillance system	ASIC's system for surveilling financial markets
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	<i>National Consumer Credit Protection Act 2009</i>
own-source revenue	Revenue generated from sources such as sub-leasing office space to other agencies, publishing royalties and the recovery of court-awarded costs

Term	Meaning in this document
OTC	Over the counter
OTC traders	Has the meaning given in reg 66 of the Cost Recovery Levy Regulations
payment product providers	Has the meaning given in reg 28 of the Cost Recovery Levy Regulations
PDS	<p>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</p> <p>Note: See s761A for the exact definition.</p>
personal advice	<p>Financial product advice given or directed to a person (including by electronic means) in circumstances where:</p> <ul style="list-style-type: none"> <li>the person giving the advice has considered one or more of the person's objectives, financial situation and needs; or</li> <li>a reasonable person might expect the person giving the advice to have considered one or more of these matters</li> </ul> <p>Note: This is a definition contained in s766B(3) of the Corporations Act.</p>
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 Cost Recovery Levy Regulations (in this example numbered 20), unless otherwise specified
registered company auditors	Has the meaning given in reg 18 of the Cost Recovery Levy Regulations
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
registrable superannuation entity	Has the meaning given in the SIS Act
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
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001
retail OTC derivatives issuers	Has the meaning given in reg 61 of the Cost Recovery Levy Regulations



Term	Meaning in this document
RG 78 (for example)	An ASIC regulatory guide (in this example numbered 78)
risk management product providers	Has the meaning given in reg 71 of the Cost Recovery Levy Regulations
RSE licensee	A registrable superannuation entity licensee—has the meaning given in s10 of the SIS Act
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 Cost Recovery Levy Regulations
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
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 SIS Act
superannuation trustee	A person or group of persons licenced by APRA under s29D of the SIS Act 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
threats, harms and behaviours framework	Has the meaning given in paragraphs 50–51
Tier 1 CS facility	Has the meaning given in reg 54 of the Cost Recovery Levy Regulations
Tier 2 CS facility	Has the meaning given in reg 55 of the Cost Recovery Levy Regulations
Tier 3 CS facility	Has the meaning given in reg 56 of the Cost Recovery Levy Regulations
Tier 4 CS facility	Has the meaning given in reg 57 of the Cost Recovery Levy Regulations

Term	Meaning in this document
TPD	Total and permanent disability
traditional trustee company services	Has the meaning given in s601RAC(1) of the Corporations Act, and includes: <ul style="list-style-type: none"> <li>• performing estate management functions (as defined in s601RAC(2));</li> <li>• preparing a will, a trust instrument, a power of attorney or an agency arrangement;</li> <li>• applying for probate of a will, applying for grant of letters of administration, or electing to administer a deceased estate;</li> <li>• establishing and operating common funds; and</li> <li>• any other services prescribed by the regulations for the purpose of s601RAC(1)</li> </ul>
unlisted public companies	Has the meaning given in reg 17 of the Cost Recovery Levy Regulations
weighted average hourly rate	Has the meaning given in paragraphs 405–408
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 Cost Recovery Levy Regulations
wholesale trustee	Has the meaning given in reg 37 of the Cost Recovery Levy Regulations

## 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, supervision and surveillance

### Instruments

[\*ASIC Corporations \(COVID-19—Advice-related Relief\) Instrument 2020/355\*](#)

[\*ASIC \(Fees—Complexity Criteria\) Instrument 2018/578\*](#)

### Regulatory guides

[\*RG 38 The hawking prohibitions\*](#)

[\*RG 51 Applications for relief\*](#)

[\*RG 78 Breach reporting by AFS licensees\*](#)

[\*RG 160 Time-sharing schemes\*](#)

[\*RG 180 Auditor registration\*](#)

[\*RG 273 Mortgage brokers: Best interests duty\*](#)

### Legislation

ASIC Act, s138

*ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*

*ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017*

*Australian Charities and Not-for-profits Commission Act 2012*

*Business Names Registration Act 2011*

Corporations Act, Chs 5, 5D; Pts 7.2, 7.3, 7.5A, 7.5B; s601EA, 764A, 791C, 795B, 827A, 910A, 911A(2)(l), 912C, 926A(2), 1324, 1325A

*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(3), 72(2)

Fees Regulations

*Insurance Act 1973*

*Insurance Contracts Act 1984*

*Legislation Act 2003*

*Life Insurance Act 1995*, s21

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

*National Consumer Credit Protection (Fees) Regulations 2010*

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

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 Act 2012*

*Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*

*Superannuation Auditor Registration Imposition Regulation 2012*

*Treasury Laws Amendment (ASIC Fees) Regulations 2018*

## **Reports**

[REP 566](#) *Surveillance of credit rating agencies*

[REP 633](#) *Holes in the safety net: a review of TPD insurance claims*

[REP 664](#) *Overview of decisions on relief applications (October 2019 to March 2020)*

[REP 672](#) *Buy now pay later: An industry update*

[REP 691](#) *Regulator Performance Framework: ASIC self-assessment 2019–20*

## **Information sheets**

[INFO 210](#) *Unfair contract term protections for consumers*

[INFO 211](#) *Unfair contract term protections for small businesses*

## **ASIC forms**

See Appendix 2

## **Rules**

[ASIC Derivative Trade Repository Rules 2013](#)

## **Other ASIC documents**

[Annual Report 2020–21](#)

[ASIC service charter](#)

[Corporate Plan 2020–24: Focus 2020–21](#)

[CP 333](#) *Implementing the Royal Commission recommendations: Reference checking and information sharing*

## **Non-ASIC documents**

[AASB 10](#) *Consolidated financial statements*

Council of Financial Regulators, [Application of the regulatory influence framework for cross-border central counterparties](#), March 2014

Department of Finance, [Australian Government Charging Framework: Resource Management Guide No. 302](#)

Department of Finance, [Australian Government Cost Recovery Guidelines](#)

Frydenberg, J & Hume, J, [Temporary and targeted relief on ASIC levies for financial advisers](#), joint media release, 30 August 2021

FSI, [Financial System Inquiry: Final report](#), December 2014

O'Dwyer, K, [Registered charities not required to pay ASIC levy](#), July 2018

Senate Economics References Committee, [Performance of the Australian Securities and Investments Commission](#), June 2014

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