

CORPORATE SUPERANNUATION ASSOCIATION Inc.

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Manager
Banking, Insurance and Capital Markets Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

To be lodged via Treasury web site

Dear Sir/Madam

PROPOSED FINANCIAL INDUSTRY LEVIES FOR 2016-17

We refer to the Consultation Paper issued on 6 May 2016 regarding the above. Our views expressed below are limited to levies for the superannuation sector.

Background: The Corporate Superannuation Association

Established in 1997, the Association is the representative body for large corporate not-for-profit superannuation funds and their employer-sponsors. The Association now represents a total of 22 funds controlling \$72 billion in member funds, held in a total of some 560,000 individual accounts. In general, these funds are sponsored by corporate employers, with membership restricted to employees from the same holding company group, but we also include in our membership two multi-employer funds with similar employer involvement and focus. A number of our funds have defined benefit divisions.

APRA's costs

We shall welcome the publication of APRA's updated Cost Recovery Impact Statement by 30 June 2016.

CORPORATE SUPER ASSOCIATION

SuperStream

In relation to Super Stream cost recovery, we continue to hold the view that a per member charge should apply, rather than an assets related levy, because it is more equitable.

Distribution of the levy

We understand the argument for collecting the costs of institutional supervision by way of a component restricted to a maximum annual levy amount per institution. However, the maximum for the restricted component has remained unchanged for many years and results in medium sized funds bearing a relatively high share of the overall burden. Our modelling indicates that this situation is exacerbated in the current year, now that the SuperStream part of the levy is beginning to drop. Although ASIC's regulatory costs, included in the levy, are rising, the overall levy amount is reduced as compared with the 2015/16 level, and the relative impact of the restricted component is higher.

We urge that the upper limit to the restricted levy component be set at an increased level, thereby reducing the currently disproportionate share borne by medium sized funds.

As an alternative approach, one of our members has suggested a risk adjusted fee scale, as providing greater equity, and this may be an option for consideration for future years. We understand that this is similar to an approach that was considered in relation to the proposed ASIC levy: Treasury Consultation Paper of 28 August 2015, *Proposed Industry Funding Model for the Australian Securities and Investments Commission*, pages 42 to 44. We accept that there are complexities and uncertainties inherent in this approach, but it may be worth exploring.

Yours faithfully



Bruce McBain
Chief Executive Officer
Corporate Superannuation Association