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Shareholders'  
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Corporations and Schemes Unit (CSU)  
Financial System Division  
The Treasury  
100 Market Street  
Sydney NSW 2000

By email to [asicfunding@treasury.gov.au](mailto:asicfunding@treasury.gov.au)

## ASA SUBMISSION – PROPOSED ASIC INDUSTRY FUNDING MODEL

Dear Sir/Madam

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors, self-managed superannuation fund (SMSF) trustees and investors generally seeking ASA's representation and support. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

We refer to Treasury's proposals paper entitled "Proposed Industry Funding Model for the Australian Securities and Investments Commission". We also refer to the paper of the same name dated 28 August 2015 (*Original Consultation Paper*).

Our comments in this submission essentially reiterate the concerns set out in our submission dated 2 October 2015 to the Original Consultation Paper and are summarised below:

- **Additional Government revenue with minimal net benefit** – in our view, the industry funding model is simply an additional tax on industry which will generate increased revenue for the Government but result in greater compliance and reporting burdens, both initially and on an ongoing basis, on industry and ASIC. We are yet to see any convincing data on how an industry funding model will result in better outcomes for the public in terms of ASIC's regulatory activities since our understanding is that ASIC's budget will continue to be set by the Government. Our prior concerns about whether ASIC has sufficient funding and resources to conduct its regulatory activities to a high standard and in a timely manner remain, and we would like to see these concerns addressed.
- **Fairness in a user pays model** – one of the rationales for the new model as set out in the Original Consultation Paper is to ensure the costs of ASIC's regulatory activities are borne by

those creating the need for regulation rather than all taxpayers. In this regard, we acknowledge industry funding models are in place in the United Kingdom and New Zealand, however whether those models have resulted in better outcomes is not clear. There are also notable differences between the various models, such as lower registry fees, which have not been addressed in the proposals paper. The registry function generates considerable revenue for the Government yet it is concerning that instead of lowering registry fees, the Government is looking to privatise the registry function which has the potential to increase fees and thus access to the valuable resource.

ASIC's Annual Report for 2015-16 shows that for that year, ASIC's total operating expenses were \$371 million, but total fees and charges raised for the Government were \$876 million. ASIC received approximately \$311 million in appropriation revenue from the Government. As far as we can see, ASIC's revenue is more than enough to fund its activities. Further, appropriation revenue from the Government and ASIC's operating expenses have declined in recent years whereas ASIC's fees and charges raised for the Government have increased and will increase further with the industry funding model, without any proposed increase to ASIC's funding (other than those specific changes announced earlier in 2016).

In conclusion, we state again that, frankly, it is hard to understand why the Government wants to go about it this way. We cannot see any material benefit from a move towards an industry funding model for ASIC. Conversely it is likely to result in increased cost burdens for industry and ASIC. Of course, it would be in the best interests of all stakeholders for ASIC to operate more efficiently and with greater transparency, however we cannot see how the industry funding model will achieve this and the bigger concern which is not addressed is whether ASIC should receive more funding to properly conduct its activities.

If you have any questions about this submission, please do not hesitate to contact me on (02) 9252 4244.

Yours faithfully



Diana D'Ambr  
Chairman  
Australian Shareholders' Association