

03/06/16

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

Dear Sir/Madam,

Re: PROPOSED FINANCIAL INSTITUTIONS SUPERVISORY LEVIES FOR 2016-17

AustralianSuper welcomes the opportunity to provide feedback on the proposed financial institutions supervisory levies that will apply for the 2016-17 financial year.

About AustralianSuper

AustralianSuper is one of Australia's largest super funds and is run only to benefit members. We don't pay commissions to anyone to recommend us, nor do we pay dividends to shareholders. We have over 2 million members and manage over \$95 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for members. It is worth noting that any fees and levies paid by AustralianSuper are taken from member's investment in superannuation, not from a profit reserve.

AustralianSuper seeks only to comment on the parts of the consultation paper that impact the superannuation system.

General Comments

AustralianSuper believe that it is important that the Government Agencies that regulate our industry be well resourced to conduct their supervisory duties.

AustralianSuper endorses the recovery through the supervisory levy of expenses incurred by the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Tax Office (ATO) and the Department of Human Services (DHS).

However, because the quantum of the supervisory levy imposed is a function of funds under management, AustralianSuper does not believe that the levy reflects the level of risk posed. With scale comes increased capacity for improved risk management and efficiencies. Unlike many smaller funds, AustralianSuper is a fund with positive cash flows and rigorous risk management systems, yet because funds under management are growing at a faster rate than other funds the levy applied to AustralianSuper has increased exponentially over the recent years, outstripping the increase in the levy to our competitors, at a detrimental cost to our members.

As such AustralianSuper urges Treasury to reassess the metric upon which levies should be allocated.

1. Transparency

The Proposed Financial Industry Levies 2016-17 paper contains only high level discussion of the costs to be recouped by the levies. AustralianSuper notes that a Cost Recovery Impact Statement (CRIS) is due to be released on June 30th 2016, nearly a month after feedback on proposed levies is due. Without the CRIS, AustralianSuper's assessment of the quantum and application of the levies contained in the consultation paper is less informed.

AustralianSuper would urge Treasury to release the CRIS (or a draft form CRIS) in conjunction with Proposed Financial Institutions Supervisory Levies consultation to improve transparency in future years.

2. Superstream Cost recovery

Arguably the benefits of Superstream are not limited to APRA regulated superannuation funds and fund members. Indeed SuperStream delivers greater efficiency in back office processing across the entire superannuation industry.

AIST estimates that SMSFs currently account for about 2.5% of SuperStream contributions, and this amount is expected to grow to nearly 5% in a mature system. Moreover, the increased speed of SuperStream transactions (ie, the 3 day rule) and mechanisms to verify fund identity and bank account details expedite the transfer of monies to SMSFs – something that SMSFs have long called for.

Consistent with our feedback in previous years, AustralianSuper strongly contends that the SuperStream levy should be apportioned across the entire superannuation industry, not just APRA regulated funds.

In addition, AustralianSuper recommends that Treasury consider whether a portion of the SuperStream component reflecting the benefits delivered to non-levied entities, such as employers, should be met out of consolidated revenue.

3. Funding for the Superannuation Complaints Tribunal

AustralianSuper endorses the additional funding to be provided to the SCT to address its workload and ensure it is meeting its statutory objectives. The SCT is a service of critical importance to APRA-regulated superannuation funds and their members, and the time taken to resolve complaints is an issue which impacts on consumers' confidence in the superannuation system.

Because of its important role, AustralianSuper believes that SCT funding should be identified and reported separately from ASIC levy funding.

Please do not hesitate to contact me on 03 8648 3847 if you wish to discuss this further.

Yours sincerely

Louise du Pre-Alba

Head of Policy