

# INDUSTRY REGULATORY FUNDING MODEL

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## Industry regulatory funding model to commence 1 July 2017

The government recently announced the launch of the industry funding model. The model was designed to ensure Australian Securities & Investment Commissions (ASIC) costs are met by the industry and not the taxpayer. This is important because the financial system enquiry found that neither the industry nor consumers understood the costs of ASIC's supervisory role, due to its limited accountability and transparency.

On 30 March 2017, the ASIC Supervisory Cost Recovery Levy Bill 2017 (bill) was introduced in parliament. The bill imposed a levy on entities that are regulated by ASIC during the prescribed year, allowing ASIC to recover its regulatory costs for that same financial year.

Regulated entities include:

- Companies registered under the *Corporations Act 2001* (Cth).
- Australian financial services licensees and Australian credit licensees.
- Australian market and clearing, and settlement facility licensees.
- Auditors and liquidators.

A regulated entity becomes a leviable entity if it is regulated by ASIC at any time during financial year. The following is applicable if the bill is passed in its current form and commences on 1 July 2017:

- All entities regulated by ASIC in the financial year will pay an annual levy.
- Entities will have to submit an annual return with ASIC in respect of a financial year by 31 October of the following year.
- ASIC will report on its regulatory costs for the financial year and the method used to apportion costs across all entities.

The total amount of levy payable by all entities for a financial year must equal ASIC's regulatory costs for that financial year. However, there are some restrictions when calculating this levy, which are:

- ASIC's regulatory costs cannot exceed the total of all amounts appropriated by the Parliament for ASIC for that financial year.
- ASIC cannot include amounts directly relating to entities that were not regulated during the financial year.

In addition, the government retains some control over what costs may be recovered from the industry by prescribing amounts that ASIC may not include in the calculation of this levy.

At this stage the bill only outlines the legal framework, and it does not clearly explain the cost recovery methodology to be used by ASIC and – more importantly – how much would the levy be.

We will continue monitoring this space but in the meantime, if you have any questions please contact the Professional Standards team by emailing [professionalstandards@cpal.com.au](mailto:professionalstandards@cpal.com.au)