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The Treasury

# Compensation Scheme of Last Resort: exceeding sub-sector levy caps

## Consultation paper

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*In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.*

# Contents

# Consultation process

## Request for feedback and comments

The purpose of this consultation paper is to seek stakeholder views on options for the exercise of ministerial powers under section 1069H of the *Corporations Act 2001*. The consultation takes place in the context of the post-implementation review of the Compensation Scheme of Last Resort announced by the Government on 31 January 2025.

Interested stakeholders are invited to comment on the options discussed in this paper by 29 August 2025.

Submissions may be lodged electronically or by post, however electronic lodgement is preferred via email to CSLR@treasury.gov.au. For accessibility reasons, please submit responses via email in a Word, RTF or PDF format.

Submissions will be shared with other Commonwealth agencies where necessary for the purposes of the review. All information (including name and address details) contained in submissions may be made publicly available on the Australian Treasury website unless you indicate that you would like all or part of your submission to remain in-confidence. Automatically-generated confidentiality statements in emails are not sufficient for this purpose.

If you would like only part of your submission to remain confidential, please provide this information clearly marked as such in a separate attachment. Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

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The options outlined in this paper have not received Government approval and are not law. As a consequence, this paper is merely an exploration of how the options might operate. Options have been included for comparison purposes and to illustrate the breadth of options available. The inclusion of an option in this paper should not be taken as an indication that it is under active consideration by the Government. The estimates presented in this paper of potential levies are Treasury estimates only and may not reflect final invoices in the event any of the options is adopted.

# Compensation Scheme of Last Resort: exceeding sub-sector levy caps

## Background

1. The Compensation Scheme of Last Resort (CSLR) pays compensation to claimants where an eligible determination issued by the Australian Financial Complaints Authority (AFCA) remains unpaid. The CSLR was established by Part 7.10B of the *Corporations Act 2001* (Corporations Act). The CSLR is administered by the CSLR operator, a not-for-profit company authorised by the Minister to operate the scheme, independently of Government. The Scheme commenced operations in April 2024.

2. The CSLR is industry-funded. The funding model is established by the *Financial Services Compensation Scheme of Last Resort Levy Act 2023* (CSLR Levy Act) and the *Financial Services Compensation Scheme of Last Resort (Collection) Act 2023* (CSLR Levy (Collection) Act).

3. For each levy period—that is (from 1 July 2024 onward), for each financial year—the CSLR operator, having regard to actuarial principles, makes an 'initial claims, fees and costs estimate' setting out the levy amount payable for each of the four sub-sectors covered by the scheme (broadly: credit provision, credit intermediaries, financial advice and securities dealing).

4. The Australian Securities and Investments Commission (ASIC) collects the levies. The law sets a 'scheme levy cap' of $250 million on the total amount of levy that may be imposed for a levy period, and a 'sub-sector levy cap' of $20 million on the total amount of levy that may be imposed across all members of a particular sub-sector.

5. On 31 January 2025, the CSLR operator released its initial estimate for 2025-26, which was $77,974,540. Of this amount, $70,109,667 was attributed to the financial advice sub-sector. As this amount exceeded the $20 million sub-sector cap, ASIC can only collect the first $20 million of that amount, leaving an estimated shortfall of $50,109,667.

6. Options to deal with an excess are set out in section 1069H of the Corporations Act and are enlivened only after the CSLR operator makes a 'revised claims, fees and costs estimate' under section 10 of the CSLR Levy (Collection) Act and notifies the Minister of the revised estimate under subsection 1069F(3) of the Corporations Act. A revised estimate cannot be made until the start of the levy period to which it applies.

7. On 1 July 2025, the CSLR operator made a revised claims, fees and costs estimate for the 2025-26 levy period. The revised estimate was $75,698,425, of which $67,288,986 was attributed to the financial advice sub-sector. On 4 July 2025, the CSLR operator notified the Minister of the excess, enlivening the Minister's powers under section 1069H to deal with the $47,288,986 excess.

8. On the day the CSLR operator made its initial estimate for 2025-26, the former Assistant Treasurer and Minister for Financial Services, the Hon Stephen Jones, announced that the Government had directed Treasury to undertake a post-implementation review of the CSLR, to ensure victims of financial misconduct have a sustainable avenue for redress. That review is ongoing. A first round of consultation took place between 31 January and 28 February 2025, seeking stakeholder feedback and comments in response to the review's terms of reference.

9. Treasury is now consulting specifically on the options for dealing with a revised estimate that exceeds a sub-sector cap, to inform the Minister's decision in relation to the 2025-26 revised estimate and to allow for that decision to be taken in the context of the longer-term considerations arising out of the review.

10. This paper contains Treasury estimates of the potential levies on different entities of options for dealing with the excess in 2025-26. Options been developed for comparison purposes and to illustrate the breadth of options available. The inclusion of an option in this paper should not be taken as an indication that it is under active consideration by the Government. Estimated levies are illustrative only. They are based on de-identified data made available to Treasury by the Australian Taxation Office (ATO) and ASIC, but may not reflect every parameter that would be factored into a levy invoice should the Minister make a special levy determination. Consequently, they should be treated as an indication of order of magnitude for comparison between options, but not as a calculation of likely eventual invoices.

# Legislative framework

11. Subsection 1069H(2) of the Corporations Act provides that the Minister may, by legislative instrument, make a determination for the levy period dealing with one or more of the matters mentioned in subsections (3) to (5). Those subsections set out options for dealing with a revised estimate that exceeds a sub-sector levy cap. At a high level, those options are:

    11.1 spreading compensation payable by the CSLR over a longer period of time (subsection (3));

    11.2 apply a 'special levy' just to the sub-sector whose cap has been exceeded, of no more than difference between the revised sub-sector estimate and the amount of levy already paid (subsection (4)); and

    11.3 apply a 'special levy' to several sub-sectors, again of no more than the difference between the revised estimate and the amount already paid (subsection (5)).

12. The Minister's power to exercise these options is discretionary. Nothing in section 1069H requires the Minister to take any particular action in response to a notification that a sub-sector cap has been exceeded; there is no timeframe for the Minister to make a determination, and no deemed determination if the Minister takes no action.

13. The options are not mutually exclusive. The Minister may choose to make a determination that both imposes a special levy and spreads compensation out over a longer period, and may choose to make a determination that imposes a special levy that does not recover the full amount of the excess. In circumstances where an amount that is less than the full excess is levied (including when no special levy is imposed), the amount of shortfall would be added to the CSLR operator's estimates for subsequent levy periods.

14. If the Minister determines to apply a special levy to several sub-sectors, that levy may (but need not be) imposed on the sub-sector to which the estimated excess is attributed (under subparagraph 9(b)(ii) of the CSLR Levy Act).

15. If the Minister determines to apply a special levy to several sub-sectors, he or she specifies which sub-sectors are to pay and the amount that is to be imposed across all members of each specified sub-sector (paragraph 1069H(5)(b) of the Corporations Act). Subject to certain conditions, the Minister may specify any of the sub-sectors defined in the *ASIC Supervisory Cost Recovery Levy Regulations 2017* (the ASIC Industry Funding Model (IFM), see Appendix A), but the special levy would be imposed only on the leviable entities within

each sub-sector that are required (directly or indirectly) by a law of the Commonwealth to be members of AFCA (regulation 8 of the *Financial Services Compensation Scheme of Last Resort Levy Regulations 2023*, the 'CSLR Levy Regulations'). The Minister does not further determine how a special levy is to be apportioned between entities within a specified sub-sector; this is a function of formulae set out in regulations 16 and 17 of the CSLR Levy Regulations.

16. The legislative framework does not contemplate the Commonwealth's making a financial contribution to deal with an excess claims, fees and costs estimate. This option is not available under section 1069H. The legislation provides for the Commonwealth to pay the CSLR's costs for the first levy period (which ran from 2 April to 30 June 2024). But beyond that point, section 1069P sets out the funding sources of the CSLR operator (that is, the amounts ASIC has collected under the CSLR Levy (Collection) Act).

17. While the Minister's options are discretionary, there are certain matters that he or she must have regard to or be satisfied of before imposing a special levy on several sub-sectors. These matters are set out in the sections below. The matters do not apply expressly to a decision to deal with an excess under subsections 1069H(3) or (4); that is, the legislation prescribes no matters of which the Minister must be satisfied, or to which he or she must have regard, before determining to spread compensation payments over future years or imposing a special levy just on the primary sub-sector.

## Special levy for several sub-sectors: matters of which the Minister must be satisfied

18. Under paragraph 1069H(5)(a) of the Corporations Act, a special levy can be imposed on several sub-sectors only if the Minister is satisfied that imposing the levy:

    18.1 is because of the number and value of CSLR claims being paid in the financial year for the sub-sector whose cap has been exceeded; and

    18.2 is the most effective way of enabling those claims to be paid in a timely manner.

19. The legislation and extrinsic material do not offer further guidance on how to assess whether the special levy is 'the most effective' way of meeting the CSLR's funding needs to enable eligible claimants to receive timely compensation. In context, 'most effective' may mean more effective than the other options available under section 1069H. It is notable that the statute does not use the word 'efficient', but the efficiency of a levy (in terms of, say, its marginal excess burden) may be part of a broader consideration of the levy's effectiveness. Other elements of effectiveness could include, for example, how reliably and cost-effectively a special levy can be collected (that is, whether an option presents a higher risk of under-collection because of a large number of levied entities, or whether administrative costs may be large relative to the amount to be raised), or whether a special levy sends an effective signal to industry to use its resources to reduce misconduct.

## Special levy for several sub-sectors: matters to which the Minister must have regard

20. Under paragraph 1069H(5)(b) of the Corporations Act, the Minister may specify an amount of special levy that is to be imposed across all members of a specified sub-sector if he or she has had regard to:

    20.1 the impact the special levy may have on the sub-sector's financial sustainability and viability; and

    20.2 the impact the special levy may have on the financial system more broadly.

21. Again, the legislation and extrinsic material do not shed further light on how financial sustainability and viability are to be assessed. Some data on the financial position of leviable entities are available, but measures of average revenue or profitability may not perfectly reflect a sub-sector's capacity to pay without becoming financially unsustainable or non-viable, especially in circumstances where leviable entities are accustomed to passing the cost of levies onto other parties (such as their authorised representatives).

# High-level options under section 1069H

## Principles for dealing with an estimated excess

22. In assessing the options available to the Minister under section 1069H it may be reasonable to consider the relative burdens, on both levy-payers and potential claimants, of each option. That is, the Minister might consider what burdens are imposed by each option, who bears them (in both their legal and economic incidence) and the extent to which they have the capacity to bear them. This burden can be thought of both in terms of the potential cost of a levy to industry (which may, at least in part, be passed through to consumers) and in terms of the potential burden to CSLR claimants who may have their claims paid over a longer period, or not at all for a period.

23. Other considerations that may be relevant to whether any particular option is the most effective option could include the complexity of the resulting levy arrangements, the number of entities or sub-sectors to be levied, the administrability of the levy by ASIC, and other matters associated with the efficient collection of the CSLR's industry funding. While there are significant economies of scale, it does cost ASIC marginally more to administer the levy the more sub-sectors are included.

24. Questions of 'justice' do not necessarily arise under the legislative framework. That is, the Minister is not asked to attribute collective fault to a particular sub-sector or set of sub-sectors in making a determination under section 1069H. A decision under subsection 1069H(5) to impose a special levy on several sub-sectors, for example, is not a determination that those sub-sectors engaged in misconduct or are otherwise responsible at law for the CSLR costs in excess of the sub-sector cap. The Minister does, of course, have the option under subsection 1069H(4) to impose a special levy just on the 'primary sub-sector' (that is, the sub-sector whose estimated costs exceed the sub-sector cap), but there is no indication in the legislation that this option is a recognition of culpability on the part of the primary sub-sector. Indeed, no element of the CSLR's industry funding model is predicated on direct industry culpability for particular instances or classes of misconduct.

25. In the context of the post-implementation review, one important consideration may be repeatability of the decision. That is, if the CSLR's claims, fees and costs estimates regularly or routinely exceed a sub-sector cap, it may be desirable to choose a section 1069H option that would be viable or reasonable to apply in a subsequent claim period, or periods. For example, an option might be considered viable for a single levy period, because a single impost would not threaten the financial sustainability of a sub-sector, but not be deemed repeatable because several successive imposts of a similar magnitude may threaten the sub-sector's financial sustainability. Or repeating an approach may lead to other undesired outcomes or changes in behaviour; for example, leading firms to exit an industry, give up a licence, or inefficiently alter its corporate structure or avoiding certain clients to minimise exposure to a levy.

26. A repeatable approach to this question, which can also be adopted if appropriate if and when the issue arises in future, may also provide industry with greater certainty in advance of special levy decisions. Though industry would not know the final quantum of an excess before the CSLR operator makes an estimate, it would have a sense of its scale as soon as an initial estimate is made, and would have a strong indication how that quantum would be raised. A repeated approach may also be more cost-effective to administer.

### Questions

1. What principles should the Minister have in mind when considering high-level options for dealing with an excess estimate?
2. Are there any matters the Minister should not have regard to (including any outlined in the text above) when considering these options?
3. Is 'repeatability' an important consideration?

## Taking no action

27. As there is nothing in section 1069H that requires the Minister to take a particular decision, and no deemed outcome if he or she does not take a decision, it is useful to consider the implications should no determination be made.

28. Section 1063 of the Corporations Act provides that the CSLR operator *must* pay compensation to persons who meet the eligibility criteria set out in the legislation. If the CSLR operator is not fully funded, once any reserves are depleted it will not be able to make these payments. There is no deadline by which the CSLR must make a payment, but its obligation to make a payment does not fall away merely because it does not have the funds to do so in a particular financial year. Such unpaid claims would be added to initial estimates for the next financial year (under section 9 of the CSLR Levy (Collection) Act) to be paid by the next financial year's annual levy payers.

29. The burden of this option falls chiefly on persons who are entitled to and would otherwise receive compensation in the relevant financial year. But it also falls on leviable entities who will contribute to CSLR's costs in subsequent financial years (which may not be the same entities that would pay a special levy this year). This option is repeatable only if it is expected that future CSLR estimates for the primary sub-sector will be so low that this year's shortfall will be recovered in future years (that is, future estimates will fall well short of sub-sector caps for an extended period) or if it is accepted that the scheme will only be funded up to the $20 million sub-sector cap each year and risk stalling under the weight of ongoing claims that have no expectation of being paid.

## Subsection 1069H(3) – spreading compensation over time

30. Subsection 1069H(3) allows the CSLR's costs in the financial year to be reduced by delaying compensation payments into future financial years. Directing that compensation to a specified class of persons be paid in specified instalments over a specified period of time would mean that only part of the scheme's cost needs to be met by the levy in this financial year, with higher levies in subsequent financial years to continue the instalments. A determination under subsection (3) cannot altogether extinguish the CSLR operator's obligation to make a payment or payments to a class of persons.

31. This option avoids placing the full burden of the shortfall onto leviable entities in the current financial year. However, the burden would fall both on claimants who would have to wait longer to receive their full entitlements (but they would receive interest, if the AFCA determination specifies interest is payable until the date of payment) and on future levy payers, which may not be the same as current levy payers.

32. If there are limited or uncertain prospects that in future years the scheme will be able to complete payment of the current year's delayed payments and make good on future claims, this option would not appear to be sustainable.

33. This option could be used in conjunction with a special levy under subsections (4) or (5). A special levy of less than the total amount of the excess could be imposed, with the timing of compensation payments adjusted accordingly. There is no existing guidance on how a Minister might consider combining the options; it may turn on the capacity to pay of the primary or other sub-sectors. Again, the sustainability of this option would depend on an assessment of how likely costs are to be below the sub-sector caps in future years, but spreading compensation with a reduced special levy is likelier to be sustainable and repeatable than merely spreading compensation without collecting any special levy.

## Subsection 1069H(4) – special levy for just the primary sub-sector

34. The primary sub-sector is the sub-sector whose revised claims, fees and costs estimate results in the sub-sector levy cap's being exceeded. In the CSLR operator's revised estimate for 2025-26, the sub-sector of licensees that provide personal advice on relevant financial products to retail clients (the 'financial advice sub-sector') is the only primary sub-sector.

35. This option reflects the same principle that underlies the annual levy: that the sub-sector to which the conduct that led to the claims relates pays the cost, even though the entities that pay the levy did not themselves engage in misconduct. There is some element of 'cross-subsidisation', broadly defined, inherent in the design of the CSLR: solvent firms that were not responsible for specific consumer losses must nevertheless collectively bear the cost of compensating losses caused by failed firms, including in some circumstances via a special levy. Applying a special levy just to the primary sub-sector need not imply any collective responsibility of the sub-sector for the relevant misconduct.

36. It has been suggested that this approach can be thought of as signalling to an industry the cost of misconduct within that industry, and encouraging industry self-regulation, reducing the scale and frequency of future conduct that could lead to CSLR claims. Levying just the primary sub-sector with the expectation that it will reduce future claims on the CSLR relies on there being clear and effective mechanisms by which a given sub-sector could detect and deter poor practices. In practice, the potential for such 'self-regulation' would vary depending on industry structure, but in general appears limited, and in none of the in-scope sub-sectors is the industry itself considered primarily responsible for its own regulation.

37. This option is less administratively complex compared to other options. There is only one set of levy payers, and it is the same population that has paid the annual levy.

38. Although the statutory considerations in subsection 1069H(5) are not mandated before a special levy can be imposed on the primary sub-sector, a consideration may be how such a levy would impact the financial advice sector. While the sub-sector may be able to bear the costs as a once-off or on an infrequent occurrence, the consequences of the sub-sector's bearing the potential for successive special levies is also relevant, and may render other high-level options more effective. The distributional impact on particular financial advice licensees may also be relevant; though a special levy would be imposed on a licensee in

proportion to the number of authorised advisers, this may not be a perfect measure of capacity to pay (that is, larger practices may have a disproportionately greater capacity to absorb a levy without impacting their financial viability).

39. For claimants, this option would result in claims being paid up to the compensation cap or the AFCA determination (whichever is lower), and in a timely manner.

## Subsection 1069H(5) – special levy for several sub-sectors

40. The option to spread the levy across several sub-sectors yields many distinct sub-options, which are discussed in the next section.

41. Like other aspects of the CSLR funding model this option involves cross-subsidisation, in this instance across sub-sectors. While not the default manner in which the CSLR is funded, this may be necessary in circumstances where it is the most effective means of paying timely compensation to eligible claimants. Spreading the costs to several sub-sectors recognises benefits of the scheme to the financial sector more broadly. For example, the scheme strengthens trust in the financial system and promotes consumer participation in the system. The CSLR also strengthens the external dispute resolution framework by ensuring (certain) AFCA determinations are enforceable even if the entity no longer exists, giving consumers some redress. These benefits accrue to all industry participants in the financial system, not just the primary sub-sector that gives rise to an excess.

42. This option also spreads the financial burden widely and limits any impact on the financial viability of a particular sub-sector or other unintended effects. It would reduce the cost for leviable entities in the primary sub-sector as compared to a special levy under subsection 1069H(4).

43. Further, depending on how the levy is spread among the sub-sectors, the option is likely to be more repeatable.

44. The administrative complexity and cost of this option depends on the number and type of sub-sectors bearing the special levy. For example, targeting sub-sectors with large entities and a high capacity to pay would likely be simpler, compared to spreading the costs among a larger number of sub-sectors and levy payers.

45. For claimants, this option would result in claims being paid up to the compensation cap or the AFCA determination (whichever is lower), and in a timely manner.

### Questions

4. Which one or more of the high-level options would be most appropriate for dealing with the excess in the 2025-26 financial year?
5. Who bears the burdens – financial and non-financial – of your preferred option, and what is their capacity to bear it? Would your preferred option impact the viability of a sub-sector?
6. Is your preferred option repeatable if necessary in the future?
7. If your preferred option is a combination of a special levy with a determination to spread compensation over time (or taking no action), how much of the excess should be left unrecovered by the special levy? Why?

# Options for a special levy not just on the primary sub-sector

46. Subject to the matters to which the Minister must have regard, and of which he or she must be satisfied, options for a special levy not just on the primary sub-sector are broad. Conceptually, the Minister may apportion costs to any of the 52 sub-sectors in ASIC's IFM, but practically a special levy can only be collected from among the 36 sub-sectors with one or more AFCA members (since only an entity that is required to be an AFCA member is liable to a special levy). The Minister may specify many sub-sectors, a few sub-sectors or only one, and he or she may (but is not required to) include the primary sub-sector in a special levy under subsection 1069H(5).

47. Some broad, non-mutually exclusive options for imposing a special levy are:

    47.1 to apportion the special levy to one or more sub-sectors that are considered to be responsible for the costs exceeding a sub-sector cap (which may or may not be the primary sub-sector);

    47.2 to apportion the special levy to sub-sectors with the greatest capacity to pay; or

    47.3 to apportion the special levy broadly across a wide range of sub-sectors that have exposure to retail clients.

## Note on selection of options and estimated levies

48. This paper sets out a wide range of options that are available to the Minister under subsection 1069H(5) of the Corporations Act and the current settings of ASIC's Industry Funding Model. Where possible, Treasury has prepared indicative preliminary estimates of the levies that would be payable under these options, so that their practical financial impacts can be illustrated and assessed as well as considering their benefits and drawbacks on a principled basis.

49. These estimates are based on data provided by ASIC and the ATO. The data reflect particular points in time, as detailed below, and are subject to some limitations, such that the estimates are necessarily indicative only. Treasury welcomes submissions about the appropriate use of these data sources and any alternative data sources that might appropriately inform consideration of these options.

    49.1 ASIC provided data on the total number of entities in each IFM sub-sector derived from the *ASIC (Supervisory Cost Recovery Levy – Annual Determination) Instrument 2024/822*, and the number within each sub-sector that are required to be members of AFCA based only on the licence conditions of Australian Financial Services Licensees or Credit Licensees (as at 30 June 2024). They reflect the number of entities that would likely be subject to a special levy if it were imposed on that sub-sector.

    49.2 The ATO provided estimates of average revenue and profit of the entities within a specified range of sub-sectors. The ATO's estimates are based on the entities within those sub-sectors who had lodged an income tax return in the 2023 income year (around two thirds of entities).

    49.3 These data are set out in Appendix A (the ATO's data have been rounded). Treasury's extrapolations from those data are also included in Appendix A, and its calculation of illustrative levies under some of the options set out below are in Appendix B.

50. The inclusion of an option in this paper should not be taken as an indication that it is under active consideration by the Government. Stakeholders are invited to identify any additional options not presented in this paper that the Minister may wish to consider.

## Capturing a sub-sector connected to the underlying conduct

51. One option is to assign the cost of the excess, in whole, to a sub-sector other than the primary sub-sector, on the basis that that sub-sector is connected to the underlying conduct that led to the claims. A variation of this option is for that non-primary sector to bear some portion of the cost of the excess, in combination with the primary sub-sector.

52. This option has an inherent difficulty in requiring the determination of responsibility for the conduct driving the costs. Some stakeholders have suggested that 'financial product failures', in particular in relation to managed investment schemes, are a driver of the CSLR's costs.

### Questions

8. Should a Minister consider imposing a special levy on a sub-sector because of its connection to the losses that have driven an excess? If so, what are the factors that should be taken into account in the Minister's consideration?
9. What evidence should a Minister require, or what process should be undertaken, before determining that there exists a subjective responsibility that should be reflected in a special levy?

## Capturing 'large' entities

53. As the Minister is required to have regard to the impact a special levy may have on a sub-sector's financial sustainability, one way to minimise this impact may be to impose the levy on sub-sectors whose entities have the greatest capacity to pay.

54. A similar approach was taken at the inception of the CSLR levy framework with the 'pre-CSLR levy', which funds pre-CSLR complaints. Under section 10 of the CSLR Levy Act, the pre-CSLR levy was imposed on the ten highest-income APRA-regulated entities (other than private health insurers). The *Financial Services Compensation Scheme of Last Resort Levy (Collection) (Initial Estimate of Unpaid Claims and Fees) Determination 2024* led to a levy of $240.9 million paid by the ten 'largest' prudentially-regulated firms.

55. That mechanism was a 'once-off'; it cannot be repeated for future levy periods under the existing legislated framework. However, it may be possible to generate a similar outcome by using one or more of the ASIC IFM sub-sectors as a proxy; that is, by identifying sub-sectors with a small number of AFCA members who have a significant capacity to pay.

56. This option could address the mandatory considerations in paragraph 1069H(5)(b), insofar as it may result in a special levy that has less impact on the financial sustainability and viability on the sub-sectors to which it is imposed. It may also, by extension, have less impact on the financial system more broadly.

57. There is no one obvious metric that measures a sub-sector's capacity to pay, but there may be data points that are indicative of this capacity. Appendix A sets out all ASIC IFM sub-sectors, with the number of AFCA members in each (that is, the number of entities that

would be liable to pay a special levy), and some estimates of average revenues and profits in the sub-sectors. These data may provide some sense of each sub-sector's notional capacity to pay.

58. In prescribing a sub-sector on the basis of capacity to pay, a consideration would be how the operation of the levy formulae in the ASIC IFM would impact distribution of the levy within the sub-sector. For example, a formula that imposes a maximum levy threshold for the purposes of the ASIC IFM may be less appropriate for a special levy, where it would impose a greater proportional levy burden on smaller entities than on entities above the threshold.

59. It would be open to the Minister to prescribe more than one sub-sector with large entities, prescribing either an equal share of the special levy amount or some proportion. Again, while there is no one obvious metric that suggests an appropriate apportionment between multiple sub-sectors, there are data available that provide some indication of the relative sizes of sub-sectors.

### Questions

10. Should a Minister consider imposing a special levy on a sub-sector because of its capacity to pay? Is this approach supported by the legislation (is it 'most effective')? How would the Minister assess a sub-sector's capacity to pay?
11. Is any of the ASIC IFM sub-sectors a good proxy for financial sector entities with the greatest capacity to pay?
12. Should the Minister consider specifying more than one sub-sector with 'large' entities? If so, how should the special levy amount be apportioned between them?

## Spreading the costs across 'retail-facing' sub-sectors

60. As the CSLR is available to provide compensation to retail clients, and it has been suggested that the scheme contributes to maintaining retail clients' confidence in the parts of the financial system with which they interact, an option the Minister may consider is applying a special levy to all 'retail-facing' sub-sectors.

61. In July 2021, Treasury released a consultation paper on the key design features of the CSLR to inform the processes of policy decision-making and legislative drafting. The paper included a list of 22 'financial product and service sub-sectors' which, it was suggested, might be liable to pay a levy in the event of a shortfall. Those sub-sectors are indicated in the table in Appendix A. That table also indicates two other sub-sectors as 'retail-facing':

    61.1 small and medium amount credit providers (captured under 'credit providers' in the 2021 list); and

    61.2 claims handling and settling services providers (created as a sub-sector after the 2021 paper).

62. For technical reasons, three of these sub-sectors may not be capable of being levied under the legislation governing special levies.

    62.1 The large securities exchange participants sub-sector and the large futures exchange participants sub-sector each have two graduated entity metrics under the ASIC IFM: one based on messages (10 per cent of the IFM's graduated levy

component) and another based on transactions or lots (90 per cent of the IFM's graduated levy component). However, the CSLR Regulations do not provide for multiple graduated entity metrics to apply, meaning there are two potential definitions of the graduated entity metric but no rule governing in what proportion the metrics apply in the context of a special levy.

62.2 Credit rating agencies is a very small sub-sector, with around half a dozen entities only one of which is required to be a member of AFCA. The entity metric for this sub-sector is the number of days in the financial year on which there is a supervisory college for the licensed entity, so for most entities will be either 365 (or 366) or nil. An AFCA member in this sub-sector whose entity metric is nil could not be subject to a special levy (nor, of course, entities that are not required to be AFCA members).

63. If a special levy were imposed on all 21 remaining retail-facing sub-sectors, the question would arise as to how to apportion or spread the levy across the sub-sectors. Five options are set out below; ranging in complexity, some are more targeted to particular characteristics of the sub-sectors. Appendix B sets out Treasury's preliminary, illustrative estimates of how these special levy options would be apportioned by sub-sector (Table B1) of what the graduated levy component (or flat levy, where applicable) would be for each sub-sector (Table B2), and an illustration of the options' distributions across ASIC IFM sectors (Chart B1).

### Spreading equally

64. A straightforward method for allocating a special levy across all retail-facing sub-sectors is to distribute it equally. That is, the determination would specify that special levy of around $2.25 million would be imposed on each retail-facing sub-sector.

65. While retail-facing sub-sectors share the quality of being exposed more directly to retail clients, they are otherwise quite diverse. They vary significantly by number of entities, size of entities (including distribution, that is, proportion of different-sized entities), proportion of entities that are required to be AFCA members, and by factors such as revenues and profitability. A special levy that is spread equally over all retail-facing sub-sectors is unlikely to reflect every sub-sector's capacity to pay, and may not address the statutory consideration of the impact of a special levy on each sub-sector's financial sustainability. It may also introduce a significant risk of under-collection if substantial levies are apportioned to sub-sectors that do not have capacity to pay them.

66. Of course, within each sub-sector that has a graduated levy component, a special levy spread equally across sub-sectors would still impose more levy on entities that are in some sense 'larger'. But a large entity in a sub-sector with generally low capacity to pay would face a higher relative burden than a similarly large entity in a sub-sector with generally greater capacity to pay.

### Spreading by population

67. An alternative method would be to weight a special levy according to the number of entities within each sub-sector that are required to be AFCA members. Under this method, sub-sectors with smaller populations of AFCA members would face proportionally lower levies. Treasury's preliminary, illustrative estimates of how such a special levy would be apportioned are presented in Appendix B.

68. This approach focuses to a greater degree on the capacity of each sub-sector to contribute to a special levy. However, though again the graduated levy component would operate to impose more levy on larger entities within sub-sectors, still this method would not directly reflect the relative financial position of each sub-sector.

### Spreading by revenues or by profits

69. Two metrics suggest themselves for assessing sub-sectors' capacity to pay more directly: revenue and profitability. It may be appropriate to spread a special levy across retail-facing sub-sectors in proportion to their estimated aggregate revenues or profits.

#### *Data and approach*

70. As discussed at paragraph 4949, the ATO has provided to Treasury estimated average revenues and profits for entities within each of the retail facing sub-sectors, except where the sub-sectors were too small to provide data owing to the risk of identifying taxpayers. Treasury has scaled these up by the number of entities in each sub-sector that are required to be AFCA members (at 30 June 2024), as an indicative estimate of the total revenues or profits that are available within each sub-sector to support payment of a special levy. These calculations are presented in the table in Appendix A.

71. The table also includes a percentage figure as an illustration of the share of a special levy that the estimated totals imply. The percentage figures should *not* be understood as a proportion of some imagined total of all revenue and profit across all retail-facing sub-sectors, principally because many entities belong to multiple sub-sectors and so a putative 'total' would be double-counting their revenues and profits. Rather, the percentages can be thought of as relativities of revenue and profits. For example, a sub-sector with a 4 per cent illustrative share of a special levy has twice as much estimated aggregate revenue (or profit) as a sub-sector with a 2 per cent illustrative share.

72. Average revenue and profit data are not available for the traditional trustee company service providers sub-sector, owing to its small size. Consequently, this retail-facing sub-sector is excluded from these options. A special levy spread on the basis of relative revenues or profits would therefore apply to 20 sub-sectors (unless a reliable alternative source of data were available for use that includes traditional trustee company service providers).

#### *Options*

73. Treasury's preliminary, illustrative estimates of how a special levy would be apportioned on the bases of revenue and profits are presented in separate columns in Appendix B.

74. Revenue and profitability go much more directly to the statutory considerations of financial sustainability. Revenue is, generally, a more objective criterion, less susceptible to variation on the basis of accounting treatment decisions than profits. Profits are, conceptually, more reflective of capacity to pay. An advantage of spreading by profits rather than revenue may be that it avoids burdening sub-sectors that are typified by high revenues but low margins. That said, under the methodology adopted here, which captures just the most recent data, apportioning by profits in a given year may not reflect longer-term capacity to pay (which may be relevant to the options' repeatability).

75. Options that focus on revenue and profits do not necessarily reflect other considerations that may impact the effectiveness of a special levy option. They are not necessarily risk-reflective; sub-sectors with high revenues and profits might be well-regulated and low-risk, while smaller ones could pose greater risks but contribute less to the special levy. While 'cross-subsidisation' is a design feature of the CSLR's funding model in general (existing firms

pay for the consequences of the misconduct of failed firms) and specifically of all subsection 1069H(5) special levy options, apportioning by revenue or profits places much more weight on capacity to pay than on, say, proximity of the sub-sector to financial sector misconduct.

### Spreading by regulatory effort

76. Finally, an approach to spreading a special levy may be to apportion it on the basis of the regulatory effort applied to each sub-sector as reflected in ASIC's most recent IFM determination. This does not assign blame to any sub-sector for contributing to the specific losses that will be covered by a special levy, but it is in harmony with the principles underpinning the CSLR's annual levy process where costs are apportioned according to the sub-sector driving those costs. If a special levy were applied broadly across retail-facing sub-sectors to reflect the broader benefit and impact of the CSLR on retail clients, apportioning based on regulatory effort may be an analogous approach.

77. This method would not directly reflect a sub-sector's capacity to pay. The financial sustainability of such a special levy (and its repeatability) could be assessed on a sub-sector–by–sub-sector basis. But certainly, in the case of the primary sub-sector, this method would result in a lower levy than a subsection (4) special levy applied only to it, and would therefore be relatively more financially sustainable. This method may also serve as a signal to sub-sectors to improve their practices, as sub-sectors that reduce their call on ASIC's regulatory effort would, in turn, lower their potential special levy contributions.

#### Questions

13. Should a Minister consider imposing a special levy on all retail-facing sub-sectors? Is this approach supported by the legislation (is it 'most effective')?
14. If so, what is the best method for apportioning the special levy among retail-facing sub-sectors? To what extent is capacity to pay relevant, and what is the best means of assessing this? What data are available to inform this assessment?
15. Are the data and methodologies used by Treasury in calculating illustrative estimates of these options reliable and appropriate? What alternative approaches exist?

## Options outside the current legislative framework

78. While the excess costs for the 2025-26 financial year will be dealt with using the existing legislative framework, in the context of the post-implementation review, Treasury invites stakeholder views on whether alternative options exist that could be considered by Government.

79. For example, if options to spread the excess costs across 'retail-facing sub-sectors' are appropriate, then an appropriate metric for apportioning a special levy may be the number of retail clients served by each sub-sector. This would ensure sub-sectors with more exposure to retail clients bear more of the cost. Entities do not currently report to ASIC on the number of retail clients they have (or had during a reporting year) and no reliable alternative estimates of these numbers exists. However, if entities in retail-facing sub-sectors were required to report to ASIC the number of retail clients with whom they had dealings each financial year, this could be used to apportion a special levy.

80. Alternatively, an option like the pre-CSLR levy could also be made available for future levy periods subject to legislative amendment. That is, the law could be changed to allow for a special levy to be levied on the ten (or some other number) highest-income APRA-regulated entities (other than health insurers, consistently with the pre-CSLR levy), calculated by reference to data collected and published by the ATO.

### Question

16. Are there options outside the current legislative framework that may be a more effective way of dealing with excess cost estimates in future?

## Next steps

81. Timely responses to this consultation paper will inform consideration of the CSLR operator's notification of a revised costs estimate that exceeds the financial adviser sub-sector cap. They will also inform Treasury's consideration of matters within the terms of reference of the post-implementation review.

82. Whether or not to make a determination under section 1069H is a matter for the Minister. If the Minister were minded to make a determination, there is no statutory timeframe for such a decision (other than that it cannot be made before the Minister is notified of the excess). Were the Minister to decide to require a special levy, that decision would be given legal effect by means of a legislative instrument.

# Appendix A: ASIC IFM sub-sectors

| Sub-sector | Number of entities[1] | CSLR levy liable entities[2] (A) | 'Retail-facing'?[3] | Average revenue[4] ($000s) (B) | (A) x (B)[5] | Average profit[6] ($000s) (C) | (A) x (C)[7] | ASIC regulatory costs[8] ($000s) |
|---|---|---|---|---|---|---|---|---|
| **Corporate sector** | | | | | | | | |
| Listed corporations | 2,097 | 22 | N | N/A | N/A | N/A | N/A | N/A |
| Unlisted public companies | 14,725 | 763 | N | N/A | N/A | N/A | N/A | N/A |
| Large proprietary companies | 11,377 | 174 | N | N/A | N/A | N/A | N/A | N/A |
| Auditors of disclosing entities | 121 | 1 | N | N/A | N/A | N/A | N/A | N/A |
| Registered company auditors | 3,177 | 3 | N | N/A | N/A | N/A | N/A | N/A |
| Registered liquidators | 671 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| **Deposit taking and credit sector** | | | | | | | | |
| Credit providers | 1,013 | 1,013 | Y | 308,645 | 312,657,473 (11.9%) | 68,947 | 69,843,730 (12.0%) | 31,325 (15.3%) |
| Small and medium amount credit providers | 196 | 196 | Y | 9,869 | 1,934,396 (<0.1%) | 268 | 52,432 (<0.1%) | 7,103 (3.5%) |

[1] Estimate provided by ASIC derived from *ASIC (Supervisory Cost Recovery Levy—Annual Determination) Instrument 2024/822*. Data as at 30 June 2024.

[2] Estimate provided by ASIC based only on the licence conditions of Australian Financial Services Licensees or Credit Licensees. Entities that fall within the relevant qualifying period, and that are required by a law of the Commonwealth (directly or indirectly) to be members of AFCA can be liable for CSLR levies.

[3] Derived from Treasury, *Compensation Scheme of Last Resort: Proposal Paper* (July 2021), Appendix D, with the addition of the new claims handling sub-sector.

[4] For 2023 income year. Estimate provided by ATO, based on entities that had lodged a tax return for that income year. Only for retail-facing sub-sectors, where available.

[5] This is used as a broad estimate of the revenues earned by all AFCA members in the sub-sector. Percentage figures reflect relative differences in the size of these revenues across retail-facing sub-sectors for which revenue data are available.

[6] For 2023 income year. Estimate provided by ATO, based on entities that had lodged a tax return for that income year. Only for retail-facing sub-sectors, where the entity has lodged a tax return for that income year.

[7] This is used as a broad estimate of the profits made by all AFCA members in the sub-sector. Percentage figures reflect relative differences in the size of these profits across retail-facing sub-sectors for which profit data are available.

[8] Costs assigned to each retail-facing sub-sector in *ASIC (Supervisory Cost Recovery Levy—Regulatory Costs) Instrument 2024/821*. Data as at 30 June 2024.

| Sub-sector | Number of entities[1] | CSLR levy liable entities[2] (A) | 'Retail-facing'?[3] | Average revenue[4] ($000s) (B) | (A) x (B)[5] | Average profit[6] ($000s) (C) | (A) x (C)[7] | ASIC regulatory costs[8] ($000s) |
|---|---|---|---|---|---|---|---|---|
| Credit intermediaries | 4,137 | 4,137 | Y | 43,312 | 179,180,759 (6.8%) | 9,434 | 39,027,842 (6.7%) | 2,892 (1.4%) |
| Deposit product providers | 178 | 135 | Y | 1,530,482 | 206,615,114 (7.8%) | 361,862 | 48,851,306 (8.4%) | 4,355 (2.1%) |
| Payment product providers | 651 | 506 | Y | 573,707 | 290,295,652 (11.0%) | 132,861 | 67,227,741 (11.5%) | 5,241 (2.6%) |
| Margin lenders | 25 | 22 | Y | 12,883,910 | 283,446,019 (10.8%) | 3,248,434 | 71,465,544 (12.2%) | 5 (<0.1%) |
| **Investment management, superannuation and related services sector** | | | | | | | | |
| Superannuation trustees | 78 | 78 | Y | 13,459 | 1,049,804 (<0.1%) | 3,915 | 305,364 (<0.1%) | 26,428 (12.9%) |
| Responsible entities | 416 | 400 | Y | 11,643 | 4,657,154 (0.2%) | 1,438 | 575,363 (0.1%) | 28,115 (13.7%) |
| Wholesale trustees | 1,961 | 688 | N | N/A | N/A | N/A | N/A | N/A |
| Operators of notified foreign passport funds and regulated former notified funds | 0 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Custodians | 1,423 | 476 | Y | 700,640 | 333,504,555 (12.7%) | 171,374 | 81,574,125 (14.0%) | 636 (0.3%) |
| Investor directed portfolio services (IDPS) operators | 76 | 70 | Y | 5,327,159 | 372,901,140 (14.2%) | 1,264,461 | 88,512,262 (15.1%) | 132 (0.1%) |
| Managed discretionary account (MDA) providers | 252 | 208 | Y | 9,473 | 1,970,420 (<0.1%) | 1,054 | 219,304 (<0.1%) | 962 (0.5%) |
| Traditional trustee company service providers | 11 | 9 | Y | Unavailable[9] | N/A | Unavailable[9] | N/A | 494 (0.2%) |
| **Market infrastructure sector** | | | | | | | | |
| Large securities exchange operators | 2 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Large futures exchange operators | 1 | 0 | N | N/A | N/A | N/A | N/A | N/A |

[9] Estimate not provided by ATO, on the basis of small sample size and identifiability.

| Sub-sector | Number of entities[1] | CSLR levy liable entities[2] (A) | 'Retail-facing'?[3] | Average revenue[4] ($000s) (B) | (A) x (B)[5] | Average profit[6] ($000s) (C) | (A) x (C)[7] | ASIC regulatory costs[8] ($000s) |
|---|---|---|---|---|---|---|---|---|
| Small futures exchange operators | 1 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Small securities exchange operators | 2 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Small securities exchange operators with self-listing function only | 1 | 1 | N | N/A | N/A | N/A | N/A | N/A |
| New specialised market operators | 1 entity operating 1 market | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Established specialised market operators | 16 entities operating 23 markets | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Overseas market operators | 32 entities operating 32 markets | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Tier 1 clearing and settlement (CS) facility operators | 4 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Tier 2 CS facility operators | 1 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Tier 3 CS facility operators | 1 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Tier 4 CS facility operators | 1 | 1 | N | N/A | N/A | N/A | N/A | N/A |
| Exempt CS facility operators | 4 | 1 | N | N/A | N/A | N/A | N/A | N/A |
| Australian derivative trade repository operators | 2 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Exempt market operators | 3 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Credit rating agencies | 6 | 1 | Y | Unavailable[10] | N/A | Unavailable[10] | N/A | 41 (<0.1%) |
| Benchmark administrator licensees | 2 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| Large securities exchange participants | 60 | 46 | Y | 292,845 | 13,470,865 (0.5%) | 43,696 | 2,010,009 (0.3%) | 19,093 (9.3%) |

[10] Estimate not provided by ATO on the basis of small sample size and identifiability.

| Sub-sector | Number of entities[1] | CSLR levy liable entities[2] (A) | 'Retail-facing'?[3] | Average revenue[4] ($000s) (B) | (A) x (B)[5] | Average profit[6] ($000s) (C) | (A) x (C)[7] | ASIC regulatory costs[8] ($000s) |
|---|---|---|---|---|---|---|---|---|
| Large futures exchange participants | 33 | 25 | Y | 96,832 | 2,420,789 (0.1%) | 11,755 | 293,866 (0.1%) | 851 (0.4%) |
| **Market intermediaries sector** | | | | | | | | |
| Securities dealers | 1,220 | 1,133 | Y | 62,667 | 71,001,461 (2.7%) | 12,044 | 13,645,863 (2.3%) | 5,169 (2.5%) |
| Corporate advisers | 290 | 100 | N | N/A | N/A | N/A | N/A | N/A |
| Over-the-counter (OTC) traders | 55 | 22 | N | N/A | N/A | N/A | N/A | N/A |
| Retail OTC derivative issuers | 80 | 79 | Y | 23,340 | 1,843,832 (<0.1%) | 254 | 20,105 (<0.1%) | 16,239 (2.5%) |
| Wholesale electricity dealers | 43 | 0 | N | N/A | N/A | N/A | N/A | N/A |
| **Financial advice sector** | | | | | | | | |
| Licensees that provide personal advice to retail clients on relevant financial products | 2,680 | 2,680 | Y | 89,180 | 50,386,533 (1.9%) | 19,946 | 11,269,411 (1.9%) | 45,014 (22.0%) |
| Licensees that provide personal advice to retail clients on products that are not relevant financial products | 565 | 565 | Y | 28,839 | 77,287,772 (2.9%) | 3,290 | 8,817,815 (1.5%) | 91 (<0.1%) |
| Licensees that provide general advice only | 1,122 | 993 | Y | 71,458 | 70,957,994 (2.7%) | 15,941 | 15,829,030 (2.7%) | 2,798 (1.4%) |
| Licensees that provide personal advice to wholesale clients only | 1,991 | 51 | N | N/A | N/A | N/A | N/A | N/A |
| **Insurance sector** | | | | | | | | |
| Insurance product providers | 102 | 100 | Y | 1,303,777 | 130,377,699 (4.9%) | 197,972 | 19,797,232 (3.4%) | 11,255 (5.5%) |
| Insurance product distributors | 3,588 | 2,978 | Y | 58,459 | 174,092,226 (6.6%) | 14,130 | 42,079,974 (7.2%) | 842 (0.4%) |
| Risk management product providers | 85 | 47 | Y | 38,249 | 1,797,724 (<0.1%) | 2,963 | 139,263 (<0.1%) | 100 (<0.1%) |
| Claims handling and settling services providers | 344 | 329 | Y | 161,500 | 53,133,532 (2.0%) | 8,800 | 2,895,262 (0.5%) | 6,903 (3.4%) |

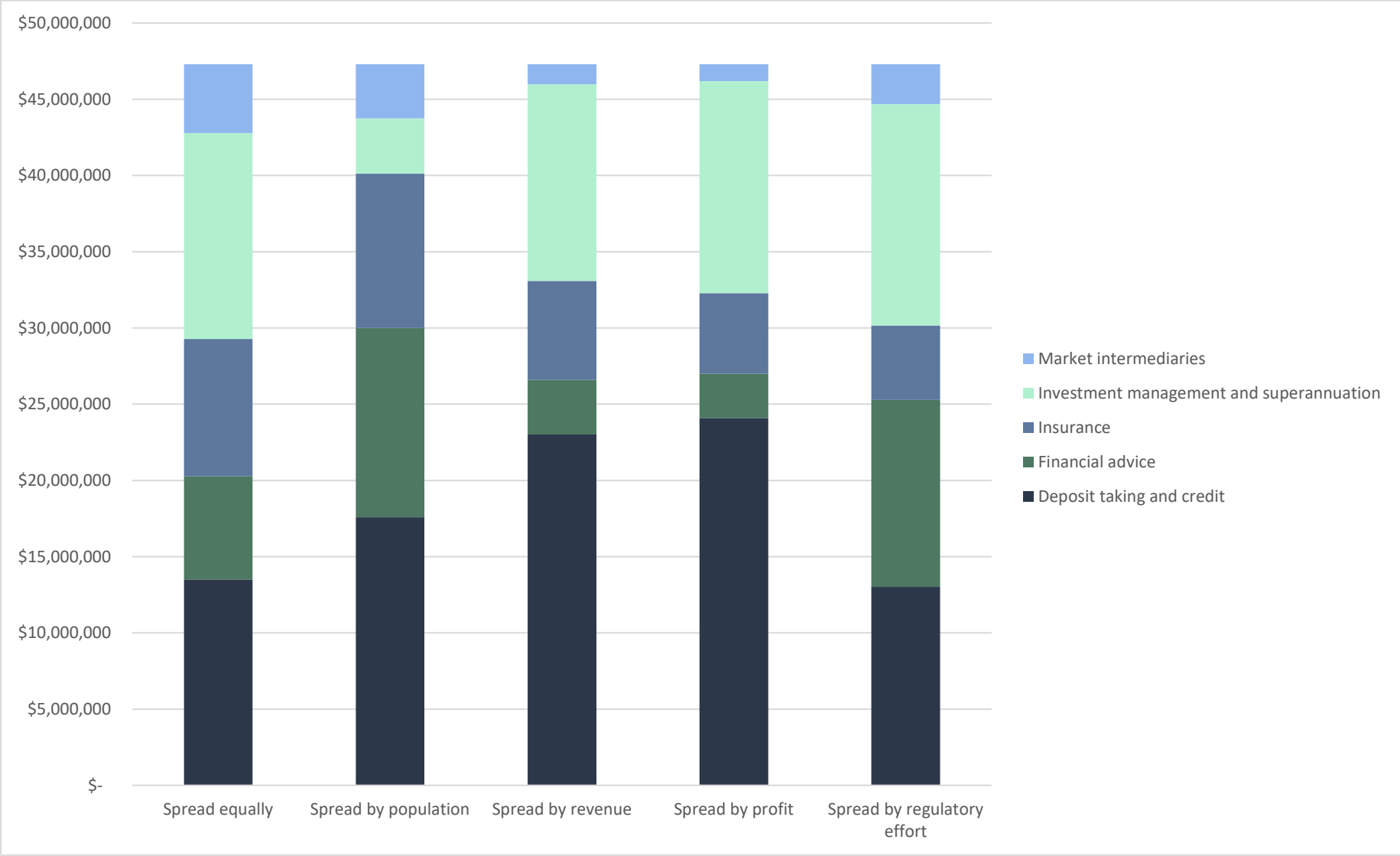
# Appendix B: Illustrative estimates of special levy options

Table B1: Options for spreading a special levy of the full amount of the excess across multiple retail-facing sub-sectors

| | Spread equally ($000s) | Spread by population ($000s) | Spread by revenue ($000s) | Spread by profits ($000s) | Spread by regulatory effort ($000s) |
|---|---|---|---|---|---|
| **Deposit taking and credit sector** | | | | | |
| Credit providers | 2,252 (4.8%) | 2,966 (6.3%) | 5,645 (12.0%) | 5,674 (12.0%) | 8,010 (16.9%) |
| Small and medium amount credit providers | 2,252 (4.8%) | 571 (1.2%) | 35 (<0.1%) | 4 (<0.1%) | 1,816 (3.8%) |
| Credit intermediaries | 2,252 (4.8%) | 12,111 (25.6%) | 3,235 (6.8%) | 3,170 (6.7%) | 740 (1.6%) |
| Deposit product providers | 2,252 (4.8%) | 395 (0.8%) | 3,731 (7.9%) | 3,968 (8.4%) | 1,114 (2.4%) |
| Payment product providers | 2,252 (4.8%) | 1,481 (3.1%) | 5,241 (11.1%) | 5,461 (11.6%) | 1,340 (2.8%) |
| Margin lenders | 2,252 (4.8%) | 64 (0.1%) | 5,118 (10.8%) | 5,805 (12.3%) | 1 (<0.1%) |
| **Investment management, superannuation and related services sector** | | | | | |
| Superannuation trustees | 2,252 (4.8%) | 228 (0.5%) | 19 (<0.1%) | 25 (<0.1%) | 6,758 (14.3%) |
| Responsible entities | 2,252 (4.8%) | 1,171 (2.5%) | 84 (0.2%) | 47 (0.1%) | 7,189 (15.2%) |
| Custodians | 2,252 (4.8%) | 1,394 (3.0%) | 6,022 (12.7%) | 6,626 (14.0%) | 163 (0.3%) |
| Investor directed portfolio services (IDPS) operators | 2,252 (4.8%) | 205 (0.4%) | 6,733 (14.2%) | 7,190 (15.2%) | 34 (<0.1%) |
| Managed discretionary account (MDA) providers | 2,252 (4.8%) | 609 (1.3%) | 36 (<0.1%) | 18 (<0.1%) | 246 (0.5%) |
| Traditional trustee company service providers | 2,252 (4.8%) | 26 (<0.1%) | N/A | N/A | 126 (0.3%) |

| | Spread equally ($000s) | Spread by population ($000s) | Spread by revenue ($000s) | Spread by profits ($000s) | Spread by regulatory effort ($000s) |
|---|---|---|---|---|---|
| **Market intermediaries sector** | | | | | |
| Securities dealers | 2,252 (4.8%) | 3,317 (7.0%) | 1,282 (2.7%) | 1,108 (2.3%) | 1,322 (2.8%) |
| Retail OTC derivative issuers | 2,252 (4.8%) | 231 (0.5%) | 33 (<0.1%) | 2 (<0.1%) | 1,298 (2.7%) |
| **Financial advice sector** | | | | | |
| Licensees that provide personal advice to retail clients on relevant financial products | 2,252 (4.8%) | 7,846 (16.6%) | 910 (1.9%) | 915 (1.9%) | 11,510 (24.3%) |
| Licensees that provide personal advice to retail clients on products that are not relevant financial products | 2,252 (4.8%) | 1,654 (3.5%) | 1,395 (3.0%) | 716 (1.5%) | 23 (<0.1%) |
| Licensees that provide general advice only | 2,252 (4.8%) | 2,907 (6.2%) | 1,281 (2.7%) | 1,286 (2.7%) | 716 (1.5%) |
| **Insurance sector** | | | | | |
| Insurance product providers | 2,252 (4.8%) | 293 (0.6%) | 2,354 (5.0%) | 1,608 (3.4%) | 2,878 (6.1%) |
| Insurance product distributors | 2,252 (4.8%) | 8,718 (18.4%) | 3,143 (6.7%) | 3,418 (7.2%) | 215 (0.5%) |
| Risk management product providers | 2,252 (4.8%) | 138 (0.3%) | 32 (<0.1%) | 11 (<0.1%) | 26 (<0.1%) |
| Claims handling and settling services providers | 2,252 (4.8%) | 963 (2.0%) | 959 (2.0%) | 235 (0.5%) | 1,765 (3.7%) |

Chart B1: Distribution of special levy spreading options by ASIC IFM sector



## Table B2: Estimated graduated levy component (or flat levy) by sub-sector under spreading options

| | Spread equally | Spread by population | Spread by revenue | Spread by profits | Spread by regulatory effort |
|---|---|---|---|---|---|
| **Deposit taking and credit sector** | | | | | |
| Credit providers | $2.89 per $1 million of credit provided above $100 million (for other than small and medium amount credit contracts) | $3.85 per $1 million of credit provided above $100 million (for other than small and medium amount credit contracts) | $7.45 per $1 million of credit provided above $100 million (for other than small and medium amount credit contracts) | $7.48 per $1 million of credit provided above $100 million (for other than small and medium amount credit contracts) | $10.62 per $1 million of credit provided above $100 million (for other than small and medium amount credit contracts) |
| Small and medium amount credit providers | $17.10 per $10,000 of credit provided under small and medium credit contracts | $4.22 per $10,000 of credit provided under small and medium credit contracts | $0.12 per $10,000 of credit provided under small and medium credit contracts | -$0.12 per $10,000 of credit provided under small and medium credit contracts[11] | $13.76 per $10,000 of credit provided under small and medium credit contracts |
| Credit intermediaries | $41.42 per credit representative | $263.57 per credit representative | $63.57 per credit representative | $62.11 per credit representative | $7.34 per credit representative |
| Deposit product providers | $0.74 per $1 million of total deposit liabilities above $10 million | $0.13 per $1 million of total deposit liabilities above $10 million | $1.23 per $1 million of total deposit liabilities above $10 million | $1.31 per $1 million of total deposit liabilities above $10 million | $0.37 per $1 million of total deposit liabilities above $10 million |
| Payment product providers | $4.61 per $10,000 of total revenue from payment product provider activity | $3.00 per $10,000 of total revenue from payment product provider activity | $10.88 per $10,000 of total revenue from payment product provider activity | $11.34 per $10,000 of total revenue from payment product provider activity | $2.70 per $10,000 of total revenue from payment product provider activity |
| Margin lenders | $103,993 for an entity licensed for the full year | $2,876 for an entity licensed for the full year | $236,472 for an entity licensed for the full year | $268,253 for an entity licensed for the full year | -$48 for an entity licensed for the full year[11] |
| **Investment management, superannuation and related services sector** | | | | | |
| Superannuation trustees | $1.00 per $1 million of assets above the $250 million threshold | $0.09 per $1 million of assets above the $250 million threshold | $0 per $1 million of assets above the $250 million threshold[12] | $0.01 per $1 million of assets above the $250 million threshold | $3.00 per $1 million of assets above the $250 million threshold |
| Responsible entities | $1.38 per $1 million of assets above the $10 million threshold | $0.70 per $1 million of assets above the $10 million threshold | $0.03 per $1 million of assets above the $10 million threshold | $0 per $1 million of assets above the $10 million threshold[12] | $4.45 per $1 million of assets above the $10 million threshold |

[11] A negative graduated levy component is the output derived from the formula in subsection 17(2) of the CSLR Levy Regulations when the minimum levy component more than covers the costs attributed to the sub-sector. Under subsection 17(4) of the CSLR Levy Regulations, when a component of that formula is nil or a negative amount, the amount of levy worked out using the formula is nil.

[12] Not zero but rounded to zero.

| | Spread equally | Spread by population | Spread by revenue | Spread by profits | Spread by regulatory effort |
|---|---|---|---|---|---|
| Custodians | $4,731 flat levy | $2,928 flat levy | $12,650 flat levy | $13,921 flat levy | $342 flat levy |
| Investor directed portfolio services (IDPS) operators | $25.93 per $10,000 of revenue | $2.29 per $10,000 of revenue | $77.69 per $10,000 of revenue | $82.97 per $10,000 of revenue | $0.31 per $10,000 of revenue |
| Managed discretionary account (MDA) providers | $11,274 for an entity licensed for the full year | $2,972 for an entity licensed for the full year | $75 for an entity licensed for the full year | -$15.00 for an entity licensed for the full year[11] | $1,138 for an entity licensed for the full year |
| Traditional trustee company service providers | $249,423 for an entity licensed for the full year | $2,820 for an entity licensed for the full year | -$100 for an entity licensed for the full year[11] | -$100 for an entity licensed for the full year[11] | $13,889 for an entity licensed for the full year |
| **Market intermediaries sector** | | | | | |
| Securities dealers | $15.46 per $1 million of annual transaction turnover | $23.16 per $1 million of annual transaction turnover | $8.45 per $1 million of annual transaction turnover | $7.19 per $1 million of annual transaction turnover | $8.74 per $1 million of annual transaction turnover |
| Retail OTC derivative issuers | $29,557 for an entity licensed for the full year | $2,942 for an entity licensed for the full year | $334 for an entity licensed for the full year | -$83 for an entity licensed for the full year[11] | $16,989 for an entity licensed for the full year |
| **Financial advice sector** | | | | | |
| Licensees that provide personal advice to retail clients on relevant financial products | $130 per adviser | $497 per adviser | $42 per adviser | $43 per adviser | $738 per adviser |
| Licensees that provide personal advice to retail clients on products that are not relevant financial products | $3,981 for an entity licensed for the full year | $2,897 for an entity licensed for the full year | $2,428 for an entity licensed for the full year | $1,196 for an entity licensed for the full year | -$60 for an entity licensed for the full year[11] |
| Licensees that provide general advice only | $2,268 flat levy | $2,928 flat levy | $1,290 flat levy | $1,295 flat levy | $721 flat levy |
| **Insurance sector** | | | | | |
| Insurance product providers | $0.35 per $10,000 of revenue above the $5 million threshold | $0.04 per $10,000 of revenue above the $5 million threshold | $0.37 per $10,000 of revenue above the $5 million threshold | $0.25 per $10,000 of revenue above the $5 million threshold | $0.45 per $10,000 of revenue above the $5 million threshold |
| Insurance product distributors | $756 flat levy | $2,928 flat levy | $1,056 flat levy | $1,148 flat levy | $72 flat levy |
| Risk management product providers | $48,936 for an entity licensed for the full year | $2,894 for an entity licensed for the full year | $604 for an entity licensed for the full year | $144 for an entity licensed for the full year | $456 for an entity licensed for the full year |

| | Spread equally | Spread by population | Spread by revenue | Spread by profits | Spread by regulatory effort |
|---|---|---|---|---|---|
| Claims handling and settling services providers | $0.33 per claim under insurance products in relation to which the entity provides claims handling and settling services | $0.14 per claim under insurance products in relation to which the entity provides claims handling and settling services | $0.14 per claim under insurance products in relation to which the entity provides claims handling and settling services | $0.03 per claim under insurance products in relation to which the entity provides claims handling and settling services | $0.26 per claim under insurance products in relation to which the entity provides claims handling and settling services |