



MEDIA RELEASE

Budget Increases Challenges Facing the Australian Financial Markets

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The Australian financial markets industry is concerned about the significant increase in the cost of industry supervision announced in last night's Federal Budget. While the industry supports effective market supervision, this growth in regulatory costs paid for by the industry is excessive and contrasts with the discipline the Government has exhibited in general expenditures that are met by the government directly.

The cost to the industry of ASIC supervision of the exchange markets is set to increase by \$33 million over the next four years and comes on top of a new industry levy for market supervision that commenced this year (\$18.87 million in 2012-3). Higher costs for the industry hurt its competitiveness and may result in jobs being lost or sent offshore.

The budgeted cost recovery charges for market regulation are a quantum leap from the costs incurred by the ASX when it supervised the market, even after adjusting for the additional demands of market competition. We see no crisis of market supervision that demands such dramatic increases in costs. It is either inefficient or unnecessarily gold-plating market supervision.

This increase in market supervision costs is additional to charges on the industry of \$23.9 million to fund FOFA and \$82.4 million to add capacity to APRA, both also announced in the Budget.

The industry is also concerned about the lack of strategic positioning in the Budget that would allow the Australian financial services industry to compete with regional financial centres.

While for some years now, the Government has promoted the idea of improving our competitive position in the region, which we think is especially important in the Asian Century, the reality is that the Budget contains further setbacks to our competitive position with few real positives.

Measures such as cancelling the company tax rate cut, the reversal on Interest Withholding Tax for Managed Investment Trusts and a failure to allow for the circumstances of expatriate employees in restricting the living away from home allowance send the wrong messages to international investors and business. The failure to remove the penal LIBOR cap on foreign bank branch parent funding is baffling, given the strength of the policy and practical reasons to abolish it.

Notes for Editors:

The Australian Financial Markets Association (AFMA) is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets and provides leadership in advancing the interests of all market participants. These markets are an integral feature of the economy and perform the vital function of facilitating the efficient use of capital and management of risk. Market participants perform a range of important roles within these markets, including financial intermediation and market making.

AFMA represents over 130 members, including Australian and international banks, leading brokers, securities companies, state government treasury corporations, fund managers, traders in electricity and other specialised markets and industry service providers.

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