



MEDIA RELEASE

AFMA Reaction to Proposed ASIC Funding Model

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The Australian Financial Markets Association (AFMA) believes that ASIC should be properly funded to meet its responsibilities and participants in the financial services sector should be prepared to provide a proportionate amount of ASIC's funding through cost recovery charges.

AFMA has two primary concerns about the funding model that the Government has released for consultation today:

- The Government should acknowledge the public benefit of regulation and contribute to ASIC's funding accordingly. A well-regulated financial system is a necessary condition for a productive and vibrant economy. Financial service providers should pay for regulatory services they receive but a cost recovery model that ignores the wider public benefit from ASIC regulation is like a tax.
- The governance arrangements put in place to ensure cost recovery works in the best interests of the financial system are important. ASIC should be properly funded but there must be proper accountability for the request and use of those funds. This concerns the overall operation of ASIC and is a matter we expect the ASIC Capability Review Panel to consider.

The cost of the regulatory activities undertaken by ASIC will not be levied accurately on those creating the need for regulation. For example, the proposed model does not distinguish between the risks presented by individual businesses. Rather the cost will be placed on the industry participants from whom it is most convenient to collect.

Under the proposed model, government will have no financial incentive to restrain ASIC's expenditure under full cost recovery from industry – to the contrary, it may be harder to resist political pressure for more regulation, whatever the cost of that might be in the form of regulatory charges. This risks a blow-out in regulatory costs to the detriment of companies, investors and others who use the financial system. This in turn will likely have adverse impacts on competition and innovation.

A balanced approach to cost recovery would improve ASIC's funding stability and recognise the moral hazard inherent in full industry funding.

The objective of cost recovery policy should be to improve the effectiveness of the financial system in supporting economic growth and employment. The associated revenue benefit to government should not be a determinant of the policy adopted.

AFMA appreciates that the Government has not made a decision about ASIC funding and will participate in its community consultation process.

For comment and interviews with David Lynch:

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About AFMA:

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. A [list of AFMA members](#) is available on the AFMA website.