



23 March 2026

AUSTRAC

Via Email: Industry_levy@austrac.gov.au

Dear AUSTRAC,

AUSTRAC Industry Contribution 2025-26

The Australian Financial Markets Association (AFMA) represents the interests of over 140 participants in Australia's wholesale banking and financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. Our members are the major providers of services to Australian businesses and retail investors who use the financial markets. A significant proportion of AFMA's members are reporting entities for the purposes of the AML/CTF Act and are leviable entities for the purpose of the AUSTRAC Industry Contribution.

Thank you for the opportunity to engage on the Stakeholder Consultation Paper for the AUSTRAC Industry Contribution for 2025/26 (**the Consultation Paper**).

Executive Summary

AFMA notes the following by way of executive summary:

- AFMA is concerned that the amount recoverable from industry for the 2025/26 year includes abnormal costs relating to the AML/CTF reform project and any such costs should be excluded from the recoverable amount;
- The 50:50 ratio of earnings to transactions in terms of the recoverable amount is arbitrary and inequitable, and imposes a disproportionate burden on smaller bank branches with wholesale only businesses. As such, the proposed 20% increase to the earnings component should be revisited;
- AUSTRAC should include a 20% cap on any increase to the recoverable amount for a leviable entity/group relative to the prior year; and
- AUSTRAC should clarify that references to "leviable entities" in Clauses 6(5) and 6(6) of the draft Ministerial Determination applies to the group of leviable entities.

AFMA Policy Position

As AUSTRAC is aware, AFMA has been heavily involved in consultation surrounding both the policy and design of the AUSTRAC Industry Contribution. We have objected, and continue to object, to Government regarding the form of the Industry Contribution, particularly the non-applicability of the Cost Recovery Guidelines and the fact that a very small proportion of reporting entities, around 5%, actually contribute to AUSTRAC's operating expenses.

The Consultation Paper specifically acknowledges that the "the industry contribution is classified as general taxation and is therefore not subject to the Australian Government Charging Framework." This is despite the case that the measure is clearly one of cost recovery. The stated non-applicability of the Cost Recovery Guidelines means that leviable entities have no framework within which to seek redress when they are charged amounts that are inequitable.

Further, in AFMA's view, smaller reporting entities consume a disproportionate amount of AUSTRAC's resources, as these reporting entities require considerable guidance and oversight in order to properly discharge their obligations under the AML/CTF Act and Rules. A strong case could therefore be made that such reporting entities pay a higher proportion towards AUSTRAC's operating expenses relative to their size; however, the current charging model actually does the opposite, by not requiring such reporting entities to make any contribution. Our view is that the AUSTRAC model should be aligned to that adopted for ASIC, which is more closely aligned to those that create the need for regulation by requiring that all regulated entities pay at least a small levy.

AFMA anticipates making both of these points strongly in the review of the levy calculation methodology in October of this year.

Industry Contribution Burden for 2025/26

AFMA's primary concern with the proposed charging model for the 2025/26 Industry Contribution is the cumulative burden to be applied against all leviable entities to recover AUSTRAC's expenditure. As noted in the Consultation Paper, the total proposed recoverable amount for 2025/26 is \$131,115,000. While there is (disappointingly) no information in the Consultation Paper as to the extent to which the recoverable amount is higher than the amount recovered in the prior financial years, the update to the charging model infers that the recoverable amount has increased materially. This may be inferred from:

- The proposed increase in the earnings component factor from 0.15% to 0.18%;
- The significant increases in the transaction reports value, both for report values above and below \$15 billion;
- The 16.25% increase in the proposed maximum transaction reporting charge, from \$8.0 million to \$9.3 million;
- The nearly 10% increase in the proposed maximum payable amount, from \$13,997,419 to \$15,344,613.

These increases are significantly above current inflation and, in AFMA's view, may reflect the increased AUSTRAC resourcing to prepare for the commencement of the AML/CTF reforms on 31 March 2026 (for existing reporting entities) and 1 July 2026 (for new reporting entities).

In the 2023/24 Federal Budget, the Government announced \$160 million of additional funding for AUSTRAC, with \$113.2 million being in relation to the 2025/26 financial year. At the time of the announcement, the Government stated "the cost of this measure will be partially met from the Confiscated Assets Account under the *Proceeds of Crime Act 2002*." The inference from this

statement is that the remainder of the funding is to be recovered from industry under the Industry Contribution.

AFMA's strong view is that abnormal AUSTRAC expenditure, such as that required for transformational reform projects, should be out of scope from the Industry Contribution, with the contribution only applying with reference to recurring regulatory and intelligence activities. On this basis, to the extent that any amounts referable to the reform project are included in the total recoverable amount, AFMA's view is that they should be excluded. This is particularly the case to the extent that the recoverable amount includes any expenditure relating to the expansion of the regulated population to include Tranche 2 entities.

Earnings Component

AFMA reiterates our previous view that the amounts recovered on earnings being 50% of the total recoverable amount is both arbitrary and inequitable. This change, which, as noted in the Consultation Paper, was first introduced in relation to 2022/23, is contrary to the Government's own Cost Recovery Guidelines, which articulates that efficient cost recovery requires the cost of regulation to be allocated proportionately to those that create the need for regulation. The amount that a reporting entity earns is not a legitimate proxy for regulatory burden but rather is a crude proxy for capacity to pay.

It is particularly concerning to AFMA that the "earnings" which are included in the calculation of the industry contribution amounts may not actually be derived from designated services for the purposes of the AML/CTF Act. Many reporting entities within the AFMA membership operate diversified businesses, including the undertaking of activities that are outside the scope of being designated services. The inclusion of non-designated service earnings in the industry contribution calculation presents a significant challenge to the principle of equitable cost recovery, as it effectively requires entities to contribute towards regulatory oversight for activities that bear no direct relation to AML/CTF risks nor AUSTRAC regulation. From AFMA's perspective, it is inequitable that earnings that arise from services that have no nexus to AUSTRAC regulation are included in the calculation of the industry contribution amount.

This approach creates significant and disproportionate burdens, particularly for smaller bank branches or institutions with a more focused operational footprint. A proportional levy based purely on earnings can impose a disproportionately heavy burden on smaller entities that may have limited activity directly creating a regulatory burden, but whose earnings contribute to a larger corporate entity.

The changes to the charging arrangements for 2022/23 already gave rise to a large number of highly inequitable outcomes. This was especially true for those reporting entities that predominantly engage in institutional business with large, wholesale clients (who themselves are subject to regulatory oversight) and accordingly have proportionately less interaction with AUSTRAC in terms of lodging reports, day-to-day engagement with AUSTRAC, or direct oversight.

The significant inequity highlighted above regarding the increase of the proportionate contribution of the earnings component is exacerbated by the proposed charging methodology for 2025/26 through the proposed significant 20% increase to the earnings component, from 0.15% to 0.18%. The Consultation Paper states that this increase is to ensure that the amount collected from the earnings component relative to the transaction component should be as close to 50:50 as possible. As noted above, AFMA strongly disagrees that a 50:50 collection methodology is equitable and notes

that there is no modelling provided in the paper as to why a 20% increase is required to retain this principle.

Volatility in Contribution Amount

One consequence of the changes to the charging methodology in 2022/23 was that AFMA members were receiving invoices many multiples of that received in the prior year. Notwithstanding the inequity of this change, as noted above, the receipt of such large invoices was particularly challenging given budgets had been set based on the quantum of the previous recoverable amounts.

On this basis, it is recommended that AUSTRAC review the invoices and ensure that any increase is capped at 20% of the prior year amount, to ensure that the receipt of the invoices does not present particular difficulties from a budget and approvals perspective.

Transaction Reporting Component at Group Level

AFMA has assumed that references to “leviable entities” in Clauses 6(5) and 6(6) of the draft Ministerial Determination applies to the group of leviable entities, as per Clause 5(2)(b). This would ensure that the transaction reporting applies at the group level as opposed to the individual reporting entity level, which is appropriate and in accordance with previous methodologies. Confirmation of our assumption would be appreciated.

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Please contact me on (02) 9776 7996 if you have any queries about this submission.

Yours sincerely,



Rob Colquhoun
Chief Operating Officer
Head of AML