



7 October 2022

Financial System Division
Treasury
Langton Cres
Parkes ACT 2600

By email: CSLR@treasury.gov.au

Dear Sir / Madam,

Exposure Draft - Corporations Amendments (CSLR) Regulations 2022, Financial Services Compensation Scheme of Last Resort Levy Regulations 2022

Chartered Accountants Australia and New Zealand, CPA Australia, the Financial Planning Association, the Institute of Public Accountants and the SMSF Association support the implementation of a 'true' compensation scheme of last resort (CSLR).

We believe it is essential that there is an appropriate external dispute resolution (EDR) framework for the financial services sector that ensures industry participants are accountable for the financial products and advice they provide. The framework should appropriately protect consumers and, where necessary, allow them access to adequate compensation and redress.

However, we have significant concerns with the design of the CSLR proposed in the exposure draft regulations.

In particular, we have significant concerns that the proposed framework is being modelled on a system that is not fit for purpose, noting the current ASIC Industry Funding Model (IFM) is under review to ensure it is actually an equitable and appropriate model for the longer term. As we are seeing with the ASIC IFM, those who give rise to claims may not be contributing to the levy depending on a range of factors, including the timing of when they held or cease to hold their AFS licence.

This is of significant concern and may threaten the sustainability of the CSLR for the licensed personal advice sub-sector.

Further, we believe a higher level of transparency and accountability must be placed on the CSLR Operator when requesting that a further special levy be imposed on a sub-sector because the levy cap has been exhausted.

We therefore recommend that:

- The funding model is amended to charge a flat levy to all participants in the sub-sector, but only charge the graduated levy to those who have AFCA cases in progress, which have passed the merits assessment and have a finding in favour of the complainant
- Amendments are made to apply the applicable levy to a sub-sector participant who meets the criteria at any time during the qualifying period
- Further clarity be provided regarding the recovery of the annual levy from deregistered persons



- The CSLR Operator be required to report additional information when seeking approval for a further special levy, including why the sub-sector cap levy has been exhausted and the efforts made by AFCA to recoup unpaid determinations, and
- Additional reporting obligations on the CSLR Operator at the end of each levy period, including the underlying reasons why compensation arrangements remain unpaid, and the sub-sectors deemed at fault.

The Financial Planning Association has made a separate submission to this consultation, which further details and supports the recommendations made in this joint submission, which we collectively support.

If you have any queries about this submission, please contact Keddie Waller, Head of Public Practice & SME on 0401 716 083 or keddie.waller@cpaaustralia.com.au.

Yours sincerely,

Simon Grant
Group Executive - Advocacy
Professional Standing &
International
Chartered Accountants Australia
and New Zealand

Dr Gary Pflugrath
Executive General Manager, Policy
and Advocacy
CPA Australia

Ben Marshan
General Manager, Policy and
Advocacy
Financial Planning Association

Vicki Stylianou
Group Executive, Advocacy &
Policy
Institute of Public Accountants

John Maroney
Chief Executive Officer
Self Managed Super Fund
Association