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10 June 2022

Director
Regulator Oversight and Engagement Unit
The Treasury
Langton Crescent
PARKES ACT 2600

By email: supervisorylevies@treasury.gov.au

Dear Sir/Madam,

Proposed Financial Institutions Supervisory Levies for 2022-23 Discussion Paper ("the Discussion Paper")

CPA Australia represents the diverse interests of more than 170,000 members working in 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

The Financial Institutions Supervisory Levies are set to recover costs incurred by the Australian Prudential Regulation Authority (APRA) in its supervision of entities regulated by APRA, in accordance with the Australian Government Charging Framework, as well as the Cost Recovery Guidelines (CRGs). Other agencies costs, with the exception of the bulk of cost recovery for the Australian Securities and Investments Commission (ASIC) are recouped through this levy. Cost recovery for ASIC is recouped through its industry funding model, and is levied separately.

We note that, although an updated Cost Recovery Implementation Statement (CRIS) is to be released by 30 June 2022, it is our interpretation of the CRGs that a CRIS should have been made available prior to this consultation. We believe that the provision of this statement, even if only in draft form, would better assist stakeholders to determine the impact of the levies.

The remainder of our submission deals only with the parts of the Discussion Paper which affect APRA-regulated superannuation funds. Furthermore, our only comment in relation to APRA-regulated Small APRA Funds (SAFs) and Single Member Approved Deposit Funds (SMADFs) is to welcome the maintenance of the levy amount for these funds at a rate of $590 per fund. We do not plan to comment on the application of the levies to Pooled Superannuation Trusts.

In relation to other superannuation funds regulated by APRA, we note that the existing tiered charging structure of a restricted component – subject to an unchanged maximum of $80,000, as well as an increased minimum of $10,000 – and an unrestricted component, is largely unchanged with the exception of small increases to the percentage rate of each component. The increases would see a large fund with total assets of $245 billion and 2.47 million member accounts charged a total of $8.13 million in 2022-23, up from $7.96 in 2021-22. This would translate to a cost per member account of $3.29 per annum, up from $3.23. Overall, this levy represents 0.00332 per cent of total fund assets.

At the other end of the scale, a small fund (not a SAF) with total assets of $37.5 million and 108 member accounts results in the passing on of $102.97 to each member account annually, representing a proportional cost of 0.0297 per cent of the fund's total assets – or nearly ten times the proportional amount of the charge to the large fund.

Whilst we are aware that the funding basis is broadly consistent with the overall size of the fund in terms of total assets, there are two observations we make in relation to this:

1. Funds with a smaller number of member accounts will pass on higher costs to each member account in order to pay the levies, and

2. Due to the minimum rate charged for the restricted component, funds smaller than around $250 million in size must pass on a portion of the levies, which are high in proportion to overall member assets.

We note that the current policy in place by Government is to encourage mergers and further reduce fees for superannuation fund members as this will provide future benefits to members in the form of lower fees. That said, we believe that the cost to members of small funds in the interim is disproportionately punitive when considered in a context other than member account balances. We recommend that consideration be given to examining ways to better ensure that small funds are not disproportionately charged.

We acknowledge the valuable contribution to this submission by members of CPA Australia's Retirement Savings Centre of Excellence.

If you have any queries on this submission, please do not hesitate to contact Richard Webb, Policy Advisor Financial Planning and Superannuation on 03 9606 9607 or richard.webb@cpaaustralia.com.au.

Yours sincerely

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