Cost Recovery Implementation Statement: ASIC industry funding model (2019–20)

June 2020

About this CRIS

This Cost Recovery Implementation Statement (CRIS) provides information on how we will implement the industry funding model and recover:

- the costs of our regulatory activities from each industry subsector in 2019–20 (in Part 1); and
- our user-initiated and transaction-based regulatory costs via fees for service in 2019–20 (in Part 2).

We have published this version of the CRIS for comment (submissions are due 24 July 2020). We will take into account stakeholder feedback in preparing the final CRIS.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This CRIS does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Contents

Introduction to the CRIS

Purpose of the CRIS

1 We are required to publish a Cost Recovery Implementation Statement (CRIS) each year under the Australian Government Charging Framework, specifically the Australian Government Cost Recovery Guidelines (Cost Recovery Guidelines).

2 The Cost Recovery Guidelines set out the framework under which the Australian Government and ASIC design, implement and review regulatory charging activities. Under the guidelines there are two types of cost recovery charges. The characteristics of the activity determine whether the costs will be recovered through:

(a) *cost recovery levies*—charges imposed when a good, service or regulation is provided to a group of individuals or organisations (e.g. an industry subsector), rather than to a specific individual or organisation; or

(b) *cost recovery fees*—fees charged when a good, service or regulation is provided directly to a specific individual or organisation (see the Cost Recovery Guidelines, paragraph 4).

3 This CRIS is divided into three parts:

(a) Part 1 of this CRIS provides information about how the costs of our regulatory activities in 2019–20 will be recovered from each industry sector via cost recovery levies and statutory levies under the industry funding model. We will issue invoices for the 2019–20 financial year in January 2021, after the business activity has occurred and our regulatory costs are known.

(b) Part 2 of this CRIS provides information about how we will recover our user-initiated and transaction-based regulatory costs via cost recovery fees in 2019–20. It includes information about fees for service and the methodology for calculating the fees.

(c) Part 3 of this CRIS covers the stakeholder engagement undertaken, how we measure our financial and non-financial performance, key events and estimated dates, and the CRIS approval and change register.

4 This CRIS has been prepared on the basis of our planned regulatory work and budgeted allocation of costs at the beginning of the 2019–20 year. For example, it does not reflect our adjusted work program to respond to the impact of the COVID-19 pandemic. The indicative levies for 2019–20 are a guide only. There will be differences between indicative and actual regulatory costs, once known. Entities will be charged based on actual regulatory costs, which will be published in December 2020, with invoices issued in January 2021.

Stakeholder engagement

5 We have published this version of the CRIS for comment. You can provide your feedback by emailing policy.submissions@asic.gov.au by 24 July 2020. Stakeholders are invited to comment on any aspect of this CRIS, including on content and form. We will take into account stakeholder feedback when preparing the final CRIS.

Background to the industry funding model

6 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. The Australian Government undertook extensive consultation to develop and refine the industry funding model: for more information on this consultation, see paragraphs 419–420.

7 Under the industry funding model our regulatory costs will be recovered from the industry sectors we regulate, through a combination of:

(a) industry funding levies, consisting of:

(i) general industry levies (cost recovery levies), for ongoing regulatory activities that are consistent with the Australian Government Charging Framework. These activities relate to supervision and surveillance, enforcement, industry engagement, education, guidance, and policy advice (see Part 1 of the CRIS); and

(ii) statutory levies for activities the Australian Government has decided should be cross-subsidised between industry subsectors. This includes the recovery of costs from industry for education provided to consumers (see paragraphs 19–23 and Table 2 and Table 3); and

Note: In this CRIS we use the term 'industry funding levies' to refer to cost recovery levies and statutory levies collectively .

(b) cost recovery fees (fees for service) for user-initiated, transaction-based activities where we provide a specific service to individual entities. These activities include licensing, professional registration, applications for relief and review of corporate finance transaction documents (see Part 2 of the CRIS).

8 Table 1 provides an overview of how we expect to recover our 2019–20 regulatory costs for each of our regulatory activities that are subject to industry funding. We have provided a detailed description of each of these activities in Table 4.

Note: In this CRIS, we round figures to one decimal place in the text and three decimal places in tables. Items may not add up to totals due to rounding.

Table 1: Method of cost recovery by regulatory activity

Activity	Cost recovery levies	Statutory levies	Fees for service
Surveillance	$53.885m	$5.035m	Nil
Enforcement	$54.129m	$42.026m	Nil
Financial capability	$0.00m	$8.411m	Nil
Other regulatory activities			
Industry engagement	*$7.861m*	*$0.006m*	*Nil*
Education	*$0.718m*	*$0.00m*	*Nil*
Guidance	*$4.329m*	*$0.002m*	*Nil*
Policy advice	*$4.528m*	*$0.010m*	*Nil*
Indirect costs			
Governance, central strategy and legal	*$28.752m*	*$0.627m*	*Nil*
IT support	*$27.496m*	*$0.283m*	*Nil*
Operations support	*$18.251m*	*$0.982m*	*Nil*
Property and corporate services	*$36.159m*	*$0.027m*	*Nil*
Licence applications or variations	*Nil*	*Nil*	*$4.147m*
Registration application services	*Nil*	*Nil*	*$2.012m*
Compliance review of documents	*Nil*	*Nil*	*$3.654m*
Requests for changes to market operating rules	*Nil*	*Nil*	*$0.111m*
Assessment of applications for relief	*Nil*	*Nil*	*$5.911m*
Total	**$236.107m**	**$57.409m**	**$15.836m**

Note 1: The total cost recovery levies and statutory levies excludes $30.9 million of 2019–20 regulatory costs. The $30.9 million is made up of indirect costs and adjustments for capital expenditure, costs funded by independent sources and an adjustment for prior year under/over recoveries.

Note 2: For more information about what constitutes a cost recovery levy and a statutory levy, see paragraphs 19–23.

Note 3: See Table 4 for a detailed description of the regulatory activities listed in this table.

About ASIC

9 ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC is established under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

10 Our vision is for a fair, strong and efficient financial system for all Australians. To realise our vision, we will use all our regulatory tools to:

(a) change behaviours to drive good consumer and investor outcomes;

(b) act against misconduct to maintain trust and integrity in the financial system;

(c) promote strong and innovative development of the financial system; and

(d) help Australians to be in control of their financial lives.

11 The ASIC Act requires ASIC to:

(a) maintain, facilitate and improve the performance of the financial system, and the entities within it, in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy;

(b) promote confident and informed participation of investors and consumers in the financial system;

(c) administer the law effectively and with minimal procedural requirements;

(d) efficiently and quickly receive, process and store information that is given to ASIC;

(e) make information about companies and other bodies available to the public as soon as practicable; and

(f) take whatever action we can, and which is necessary, to enforce and give effect to the law.

12 ASIC monitors and promotes market integrity and consumer protection in relation to the Australian financial system. It also monitors and promotes market integrity and consumer protection in relation to the payments system, by promoting the adoption of approved industry standards and codes of practice, the protection of consumer interests, community awareness of payments system issues, and sound customer–banker relationships.

13 Our *Corporate Plan 2019–23: Focus 2019–20* explains how we use our strategic planning framework to achieve our vision and mission. The framework guides the development of our priorities and actions. It is based on the monitoring and analysis of our operating environment, the identification of threats and behaviours that lead to harm (through our threats, harms and behaviours framework), and the prioritisation of those harms that need to be addressed. This strategic planning process supports how we plan our regulatory action and allocate our regulatory costs.

PART 1 Industry funding levies

14 Part 1 of this CRIS provides information on how we will recover the costs of our regulatory activities using industry funding levies.

15 Part 1 sets out:

(a) an introduction to the part (see Section A);

(b) the policy and statutory authority for industry funding levies (see Section B);

(c) the cost recovery model (see Section C);

(d) our budgeted costs and the work we will do over 2019–20 in regulating each subsector in:

(i) the corporate sector (see Section D);

(ii) the deposit taking and credit sector (see Section E)

(iii) the investment management, superannuation and related services sector (see Section F);

(iv) the market infrastructure and intermediaries sector (see Section G);

(v) the financial advice sector (see Section H);

(vi) the insurance sector (see Section I); and

(vii) the large financial institutions sector (see Section J); and

(e) the risk assessment we have undertaken (see Section K).

A Introduction to Part 1

Key points

Part 1 of this CRIS provides information on how we will recover the costs of our regulatory activities from each industry subsector under the industry funding model.

It includes our forecast of the work we will undertake for each subsector for 2019–20 and what it will cost to carry out that work (regulatory costs). We estimate we will recover $324.5 million of our 2019–20 regulatory costs via industry funding levies.

Part 1 also includes an explanation of the design of the levy for each subsector.

The regulatory activities we engage in that form part of the industry funding model are supervision and surveillance, enforcement, financial capability, and other regulatory activities (e.g. industry engagement, education, guidance, and policy advice).

This section covers the costs we expect to recover, describes our regulatory activities and outlines changes, if any, to the industry funding levies since we published the 2018–19 CRIS.

ASIC costs to be recovered

16 ASIC's regulatory costs will continue to be funded through appropriation from the Commonwealth budget. In 2019–20, $324.5 million of ASIC's total budgeted resources of $429.6 million are expected to be recovered via ASIC's cost recovery levies and statutory levies: see Table 2. We will also recover $2.8 million in unrecovered regulatory costs from 2018–19.

Note: The $2.8 million in unrecovered regulatory costs from 2018–19 consists of $2.4 million that was not recovered from deregistered companies and $0.423 million that was not recovered from small futures exchange operators: see Table 38. This amount is carried forward in accordance with s10(6)(b) of the *ASIC Supervisory Cost Recovery Levy Act 2017*.

17 There are a number of mechanisms that we use to recover our costs from industry. They include cost recovery levies, statutory levies, cost recovery fees and general taxes. Our costs for regulating small proprietary companies are recovered via an increase in the annual review fee.

Note: The annual review fee is a registry fee and is not charged within the Australian Government Charging Framework.

18 Part 1 of this CRIS covers our regulatory costs of $324.5 million that we expect to recover via cost recovery levies and statutory levies. We will recover user-initiated service costs and transaction-based activities—where

we provide a specific service to individual entities (e.g. licence applications)—via cost recovery fees-for-service: see Part 2 of this CRIS.

19 We will recover the cost of activities that:

(a) are consistent with the Australian Government Charging Framework through a cost recovery levy; and

(b) the Australian Government has decided should be cross-subsidised between industry subsectors through a statutory levy.

Note: Statutory levies make up $57.4 million of the total $324.5 million in regulatory costs that we expect to recover.

20 Table 2 depicts the regulatory costs expected to be recovered by industry funding levies for each sector.

Table 2: Regulatory costs to be recovered by industry funding levies, by industry sector

Sector	Cost recovery levies	Statutory levies	Total levy
Corporate	$68.172m	$18.756m	$86.928m
Deposit taking and credit	$28.767m	$7.321m	$36.088m
Investment management, superannuation and related services	$48.928m	$15.432m	$64.360m
Financial Advice	$29.850m	$7.549m	$37.399m
Market infrastructure and intermediaries	$41.552m	$4.854m	$46.406m
Insurance	$13.327m	$3.109m	$16.436m
Large financial institutions sector	$5.510m	$0.389m	$5.899m
Total costs to be recovered	**$236.107m**	**$57.409m**	**$293.516m**

Note: The total cost recovery levies and statutory levies excludes $30.9 million of 2019–20 regulatory costs. The $30.9 million is made up of indirect costs and adjustments for capital expenditure, costs funded by independent sources and an adjustment for prior year under/over recoveries.

21 The activities that will be recovered via a statutory levy are:

(a) the ASIC Enforcement Special Account (ESA);

(b) financial capability;

(c) administration of unclaimed money;

(d) operation of the North Queensland insurance aggregator website;

(e) the regulation of crowd-sourced funding implementation;

(f) whistleblower legal framework; and

(g) credit rating agencies.

22 The regulatory costs to be recovered under a statutory levy for each of these activities are set out in Table 3.

Table 3: Regulatory costs to be recovered by statutory levies, by activity

Activity	Costs
Enforcement (Enforcement Special Account funded)	$42.624m
Financial capability	$8.411m
Unclaimed money administration	$0.967m
North Queensland insurance aggregator	$0.488m
Crowd-sourced funding (CSF) implementation	$1.153m
Whistleblower legal framework	$3.598m
Credit rating agencies (all activities)	$0.167m
Total costs to be recovered by statutory levies	**$57.409m**

23 Statutory levies and cost recovery levies will be included in the same invoice as a single line item.

24 Our forecast of our regulatory costs for each subsector in Part 1 of this CRIS is calculated by apportioning the total amount of $324.5 million between each subsector, based on the amount of effort we project we will spend regulating each subsector. The costs in Part 1 are only a guide for the levies to be charged for 2019–20. The final levies will be based on our actual cost of regulating each subsector in 2019–20. This ensures that each subsector is only levied for the actual cost of regulating that subsector.

Exemptions

Costs recovered by the Australian Prudential Regulation Authority

25 The Australian Prudential Regulation Authority (APRA) will continue to recover the costs of the Superannuation Complaints Tribunal (SCT) through the Financial Institutions Supervisory Levies until 30 June 2023.

Registered charities and not-for-profits

26 The Australian Government has decided that entities that are registered under the *Australian Charities and Not-for-profits Commission Act 2012* will be exempt and will not have to pay industry funding levies because of the unique and important role charities play in society. We will not recover the portion of our costs relating to these entities through industry funding levies,

and therefore the exemption will not affect the amount to be paid by other entities in the relevant subsectors.

> Note: See the Hon. Kelly O'Dwyer, then Minister for Revenue and Financial Services, *Registered charities not required to pay ASIC levy*, media release, 2 July 2018.

Other

27 The ASIC Supervisory Cost Recovery Levy Regulations 2017 (Cost Recovery Levy Regulations) prescribe that certain amounts are not part of ASIC's regulatory costs and therefore will not be recovered under the industry funding regime, including the costs of:

(a) operating the SCT;

(b) operating the Company Auditors Disciplinary Board (CADB);

(c) operating the committees convened on an ad-hoc basis to consider disciplinary matters relating to registered liquidators (registered liquidators disciplinary committees);

(d) maintaining and operating ASIC's public registers;

(e) regulating self-managed superannuation fund (SMSF) auditors; and

(f) preliminary investigations and reports by liquidators into the failure of a company with few or no assets.

Description of our regulatory activities

28 In everything we do we are guided by our vision of a fair, strong and efficient financial system for all Australians. To achieve our vision, we undertake a range of regulatory activities to:

(a) change behaviours to drive good consumer and investor outcomes;

(b) act against misconduct to maintain trust and integrity in the financial system;

(c) promote strong and innovative development of the financial system; and

(d) help Australians be in control of their financial lives.

29 Our regulatory activities can be broadly categorised as:

(a) supervision and surveillance;

(b) enforcement;

(c) financial capability work; and

(d) other regulatory activities, consisting of

   (i) industry engagement;

   (ii) education;

   (iii) guidance; and

   (iv) policy advice.

30 These activities together form our regulatory toolkit. We use this toolkit across the industry sectors we regulate to identify and respond to threats and harms, and achieve our vision. For most of the issues in our remit, we will use a combination of these tools to achieve the solution.

31 A key part of our work over 2019–20 will be to continue to implement our more intensive supervisory approaches and our enhanced enforcement discipline. This work follows additional funding announced by the Australian Government to progress our strategic priorities.

Note: See the Hon. Josh Frydenberg, Treasurer, *Record funding and resources for ASIC and APRA to help restore trust in Australia's financial sector*, media release, 22 March 2019.

32 The additional funding is supporting our work in a number of key areas, including:

(a) our accelerated enforcement strategy underpinned by the 'Why not litigate?' operational discipline;

(b) the expanded regulation of financial services in accordance with the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission);

(c) the close and continuous monitoring program, where senior ASIC staff are placed in major financial institutions to closely monitor their governance and compliance with the law;

(d) strengthening supervision of the superannuation sector, and taking enforcement action where required, as we work towards our expanded role as the primary conduct regulator in this sector;

(e) building our new role in administering an executive accountability regime; and

(f) the corporate governance taskforce, which undertakes targeted reviews of corporate governance practices in large listed entities.

33 We are taking action on all the recommendations of the Royal Commission directed at ASIC. We are supporting the Government's legislative reform agenda and implementing reforms once they are passed by Parliament (e.g. through regulatory guidance).

34 We will continue to use the full suite of our regulatory tools to achieve the desired outcomes. This will include using the new product intervention power and the design and distribution obligations to address concerning practices and products that may cause harm to the consumer. For instance, we have developed regulatory guidance on our administration of the product intervention power, including how we use the power and how we make a product intervention order. We are also examining ways to effectively use the power where we see significant consumer detriment.

35 We are also developing guidance about the new design and distribution obligations, which require issuers and distributors to design, market and distribute financial and credit products that meet consumer needs.

36 Our accelerated enforcement work will be guided by our 'Why not litigate?' operational discipline, which addresses the community expectation that unlawful conduct should be punished and publicly denounced through the courts. As a priority, we will target cases of high deterrence value and those involving egregious harm or misconduct (particularly towards vulnerable consumers). Furthermore, we continue to prioritise the investigation and potential litigation of matters arising from the Royal Commission.

37 Table 4 provides an overview of our regulatory activities and sub-activities that are subject to industry funding. We carry out these activities for all industry sectors. We track our regulatory effort for each subsector at the activity level.

Table 4: Our regulatory activities and sub-activities that are subject to industry funding

Activity	Activity description	Sub-activity overview
Supervision and surveillance	We conduct supervision and surveillance to test compliance with the laws we administer and promote positive consumer and investor outcomes. We may gather and analyse information on: • a specific entity or range of entities; • a transaction; or • a specific product or issue of concern in the market.	Our sub-activities include: • making an initial regulatory assessment, as part of which we: – accept breach reports or reports of misconduct, including receiving whistleblower disclosures about misconduct; – undertake initial inquiries and preliminary analysis, including conducting on-site supervision and surveillance (e.g. our corporate governance review of issues and trends arising during the annual general meeting season); – assess the nature and gravity of the suspected breach or misconduct; – undertake initial testing of ASIC's jurisdiction; and – decide whether further action is required and, if so, prepare handover of referral materials; • review, as part of which we: – identify the risks of making a detailed inquiry for a single or thematic surveillance; – undertake stakeholder interviews and collect documentary information; – use ASIC's compulsory information gathering powers (e.g. under s912C of the *Corporations Act 2001* (Corporations Act)); – analyse and assess the information gathered; and – develop and publish supervision and surveillance reports; • undertaking regulatory supervision, surveillance and monitoring, as part of which we: – place dedicated people within large financial institutions to monitor governance and surveillance; – accept referrals for suspected, alleged or admitted breaches and misconduct; – gather and analyse information and initial evidence, which may lead to an investigation and/or litigation; and – use ASIC's compulsory information gathering powers (e.g. under s912C); • publish reports in response to findings of our supervision and surveillance.

Activity	Activity description	Sub-activity overview
Enforcement	Enforcement action is one of the key regulatory tools available to us to help achieve a fair, strong and efficient financial system for all Australians. An activity is classified as enforcement when we consider that there has been a breach of the law. Our investigations may lead to enforcement action, including punitive, protective preservative, corrective or compensatory action. We also resolve matters by engaging with the relevant party, issuing infringement notices or taking administrative action (such as banning).	Our sub-activities include: • undertaking investigations, as part of which we: – accept referrals of alleged or admitted breaches and misconduct; – assess preliminary and detailed case theories; – using ASIC's formal investigatory powers (e.g. issuing notices requiring a person to assist ASIC with an investigation or appear before ASIC for examination); – obtain information and seize property; – collaborate and exchange information with other regulatory partners; and – convert information gathered into admissible evidence; • administrative decision making, as part of which we prepare briefs for ASIC hearing delegates for administrative actions (e.g. banning decisions and imposing stop orders on disclosure documents); • undertaking litigation, as part of which we: – consider evidence and relevant legal authorities; – develop, obtain and assess legal expert opinions; – decide on the merit of the case and determine which legal remedies will be sought; – for criminal matters, prepare briefs for the Commonwealth Director of Public Prosecutions and support ongoing case development; – for civil matters, draft and settle pleadings; and – attend court; • handle appeals and Administrative Appeal Tribunal (AAT) reviews, as part of which we: – draft or receive an appeal notice; – consider evidence and relevant legal authorities; – develop, obtain and assess legal expert opinions; – prepare appeal briefs and supervise process service; and – attend court and the AAT.

Activity	Activity description	Sub-activity overview
Financial capability work	We lead and coordinate the National Financial Literacy Strategy (NFLS) to: • educate the next generation, particularly through the formal education system; • increase the use of free and impartial information, tools and resources; • provide quality, targeted guidance and support; • strengthen coordination and effective partnerships between ASIC and other organisations; and • improve financial wellbeing research, measurement and evaluation.	Our financial capability work is informed by research, education and behavioural insights to help us understand how investors and consumers make decisions in practice. Our sub-activities include: • promoting and supporting financial literacy through the formal education sector, including supporting teacher capability; • delivering and promoting access to trusted and impartial financial information, tools and guidance for consumers and investors (especially vulnerable consumers); • reviewing and updating the NFLS; • supporting and growing key partnerships with other organisations to enhance collaboration and increase the reach and impact of financial capability initiatives; • contributing to research and measurement supporting the financial wellbeing of Australians; and • ensuring ASIC is globally engaged and effectively participates in shaping and influencing the international financial capability agenda.
Other regulatory activities	Our industry engagement activity seeks to set and maintain regulatory standards, better inform industry practices, and identify harms and potential harms in the market. Our educational activities aim to empower Australian investors and consumers to be in control of their financial lives. We provide guidance to industry on how we will administer the law, through regulatory guides, consultation papers and information sheets. It is an important tool we use to respond to structural changes and complexity in the industry. We provide advice to the Australian Government on the operational implications of Government policy initiatives and legislative change. We identify the opportunities and risks that inform our preferred position and influence law reform matters to help realise our vision.	Our sub-activities include: • engagement with industry, as part of which we: – attend industry liaison meetings and give presentations; and – respond to industry enquiries and requests for information. • providing education, as part of which we give speeches and presentations to industry and consumers. • providing guidance, as part of which we: – develop and consult on regulatory proposals; – give guidance on regulatory topics to enhance industry's understanding of their legal obligations and how ASIC administers the law; – draft, consult and issue legislative instruments; and – decide on novel applications for exemptions from or modifications of the law. • providing policy advice, as part of which we: – research and analyse innovation, competition and emerging harms; – provide proposals for law reform and assist in its development; – identify and plan for the impact on external stakeholders and internal capabilities; and – provide submissions to parliamentary and Government inquiries on law reform issues.

38 We recover the cost of regulatory activities in Table 4 through industry funding levies. The total levy a regulated entity must pay is equal to the sum of the levy amounts applicable to the entity for each industry subsector the entity falls under for a financial year.

Description of industry sectors

39 The industry sectors and subsectors are set out in the Cost Recovery Levy Regulations and described in Table 5.

Table 5: Summaries of industry sectors

Sector	Subsectors	Further discussion
Corporate **(includes auditors and liquidators, which are subject to separate fees and levies)**	Corporations, including: • listed corporations; • unlisted public companies; • large proprietary companies; and • small proprietary companies (to be charged through an increase to the annual review fee for proprietary companies from 1 July 2018). Auditors of disclosing entities Registered company auditors Registered liquidators	Section D
Deposit taking and credit	Credit licensees, including: • credit providers; • small and medium amount credit providers; and • credit intermediaries. Deposit product providers Payment product providers Margin lenders	Section E
Investment management, superannuation and related services	Superannuation trustees Responsible entities Wholesale trustees Custodians Investor-directed portfolio services (IDPS) operators Notified foreign passport funds and regulated former notified funds operators Managed discretionary account (MDA) providers Traditional trustee company service providers	Section F

Sector	Subsectors	Further discussion
Market infrastructure and intermediaries	Market infrastructure providers, including: • Australian market licensees, including various types of market operators; • clearing and settlement (CS) facility operators; • Australian derivative trade repository operators; • exempt market operators; • credit rating agencies; and • benchmark administrator licensees Market intermediaries, including: • market participants; • securities dealers; • corporate advisers and over-the-counter (OTC) traders; • retail OTC derivatives issuers; and • wholesale electricity dealers	Section G
Financial advice	Australian financial services (AFS) licensees that provide: • personal advice to retail clients on relevant financial products; • personal advice to retail clients on products that are not relevant financial products; Note: 'Relevant financial products' are financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of these products (see s910A of the Corporations Act). • general advice only to retail or wholesale clients; and • personal advice to wholesale clients only.	Section H
Insurance **(includes life and general insurance)**	Insurance product providers (including friendly societies) Insurance product distributors Risk management product providers	Section I
Large financial institutions	Entities subject to close and continuous monitoring	Section J

B Policy and statutory authority for industry funding levies

Key points

Our regulatory costs will be recovered from all the industry sectors we regulate through a combination of industry funding levies and fees for service.

The legislative framework for levies is established by five pieces of legislation:

- the *ASIC Supervisory Cost Recovery Levy Act 2017* (Cost Recovery Levy Act);
- the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*;
- the *ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017*;
- the Cost Recovery Levy Regulations; and
- the Corporations (Review Fees) Regulations 2003.

The amounts payable each year are set through a combination of regulations and legislative instruments.

Government policy approval

40 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. This was in response to the recommendation of the Financial System Inquiry (FSI) that the Government recover the cost of ASIC's regulatory activities directly from industry participants through fees and levies calibrated to reflect the cost of regulating the different industry sectors that we regulate.

Note: See FSI, *Financial System Inquiry: Final report*, December 2014, recommendation 29.

41 The FSI identified that the Australian Government recovered only a small portion of ASIC's costs directly from industry participants, through the Financial Institutions Supervisory Levies, application fees and the Market Supervision Cost Recovery Regime. The FSI noted that, as a result, ASIC costs were not transparent to industry and ASIC was also exposed to an increased risk of funding cuts unrelated to changes in the cost of delivering on our mandate. It also noted that the Senate Economics References Committee's report, *Performance of the Australian Securities and Investments Commission* (published in June 2014), highlighted that resource constraints affect ASIC's capacity to conduct supervision and surveillance across regulated entities.

42 The industry funding model for ASIC:

(a) ensures that the costs of the regulatory activities undertaken by ASIC are borne by those creating the need for regulation, rather than Australian taxpayers;

(b) establishes price signals in the way resources are allocated within ASIC;

(c) provides economic incentives to drive the Government's desired regulatory outcomes for the financial system;

(d) provides greater stability and certainty in ASIC's funding and ensures that ASIC is adequately resourced to carry out our regulatory mandate; and

(e) improves our cost transparency and accountability to industry.

Statutory authority for the levies

43 The legislative framework for industry funding levies is established by a number of Acts, regulations and legislative instruments:

(a) the Cost Recovery Levy Act, which imposes a levy on persons we regulate to recover our regulatory costs;

(b) the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017*, which empowers ASIC to collect the levy and requires entities to submit annual metrics so that we can calculate the levy;

(c) the Cost Recovery Levy Regulations, which set out the criteria for determining the subsectors an entity is a part of and the metrics to be used for calculating the levy payable by entities in each subsector. The Regulations also require ASIC to make an annual legislative instrument setting out, for each subsector, our regulatory costs and the total amount of activity (the subsector metric) for the financial year; and

(d) the Corporations (Review Fees) Regulations 2003, under which our regulatory costs for small proprietary companies will be recovered through an increase to the annual review fee for proprietary companies.

C Cost recovery model

Key points

The cost recovery model will recover the actual costs we expend during each financial year to undertake our regulatory activities.

Once we have allocated our regulatory costs between subsectors, the Cost Recovery Levy Regulations set out how we will allocate our regulatory costs between regulated entities in a subsector.

Our forecast for our 2019–20 regulatory costs is $324.5 million.

The indicative industry funding levies in this CRIS are estimates. Actual levies will differ with changes in costs, population and business activity metrics.

Outputs and business processes of the regulatory charging activity

Business process

44 ASIC is committed to achieving our vision of a fair, strong and efficient financial system for all Australians. Our strategic planning framework allows us to identify and prioritise our areas of work. This framework underpins the development of our strategic priorities as outlined in our corporate plan and supports how we allocate our resources and in turn our regulatory costs.

45 The strategic planning framework includes our approach to:

(a) monitoring our operating environment to understand key trends;

(b) identifying and prioritising areas of focus by understanding the behaviours that drive misconduct and the harms that result from them (using our threats, harms and behaviours framework); and

(c) testing the threats and harms that we have identified by consulting independent external advisory panels and experts.

46 We have several regulatory tools for addressing harms: see paragraphs 28–37 and Table 4.

Outputs

47 Our performance evaluation framework sets out the outcomes we will use to measure our performance in achieving our vision and the evidence of those outcomes: see our *Corporate Plan 2019–23: Focus 2019–20*. Our performance measures are based on:

(a) regulatory outcomes—which include the direct results from using our suite of regulatory tools; and

(b) market outcomes—which reflect the impact of our regulatory work on the markets and sectors we regulate, including on investors and consumers.

48 We report our performance measures in our annual performance statement, which forms part of our *Annual Report 2018–19*. For an analysis of our activities and outcomes achieved in each industry funding model sector for 2018–19, see ‘Section 3: ASIC’s achievements by sector’ in *Annual Report 2018–19*.

Costs of the regulatory charging activity

49 There are two steps in the cost allocation process to calculate the levy payable by each entity in a subsector:

(a) allocate our regulatory costs to each subsector; and

(b) allocate subsector costs to individual entities.

Step 1: Allocate ASIC’s regulatory costs to subsectors

50 The industry funding model allocates regulatory costs to each subsector based on ASIC’s actual reported regulatory costs we expend for each subsector. The levy will be calculated after we finalise our regulatory costs for the financial year and invoiced in the following financial year.

51 Our forecast for our 2019–20 regulatory costs that will be recovered via industry funding levies is $324.5 million. This amount includes operating expenditure (excluding depreciation, amortisation and fee-for-service activities), plus adjustments for other items (including capital expenditure allowance).

52 ASIC uses a cost recovery model for calculating the cost of our regulatory activities. Costs are allocated to each subsector and activity as a direct or indirect cost.

Direct costs

53 Direct costs are allocated where they can be directly traced to a subsector and regulatory activity. By analysing each of our supervisory teams' structures and outputs, we allocate costs such as direct employee expenses and direct supplier costs to the relevant subsector and activity.

Indirect costs

54 Indirect costs represent all costs that cannot be directly attributable to a specific subsector or activity. Indirect costs are allocated to stakeholder, enforcement and registry teams in proportion to the internal support they receive to carry out their work. Indirect costs attributable to ASIC's registry business are not recovered under industry funding: see paragraph 389.

55 We undertook a detailed analysis of support costs to identify which costs can be directly allocated to the stakeholder, enforcement and registry teams. For example, some IT costs are allocated based on storage capacity, length of processes and activity volumes, while other costs to build, support and maintain our IT systems are attributed to ASIC teams based on the number of full-time equivalent (FTE) staff who use those systems. We attribute property costs and some indirect costs—such as governance, leadership and compliance costs—to teams based on their FTE staff. These indirect costs are then directed to subsectors in the same manner as direct costs.

Adjustments

56 Our budgeted costs to regulate each subsector also include adjustments to the total operating costs to reflect the following:

(a) Adjustments for capital expenditure allowance—This adjustment is equal to ASIC's departmental capital budget (funds to meet the costs associated with the replacement of minor assets or maintenance costs that are eligible to be capitalised) and equity injection appropriations to develop infrastructure to support new regulatory responsibilities (e.g. to build new registers, such as the new registry for participating operators of Australian and foreign passport funds and their customers).

(b) Adjustments for ASIC own-source revenue—Our regulatory costs are adjusted downwards to reflect revenue from the recovery of our regulatory costs. This revenue is generated from sources such as sub-leasing office space to other agencies and the recovery of court awarded costs. The revenue is offset against the regulatory costs for the subsector in which the cost has been allocated.

(c) Adjustments for over or under recovery in prior year—Under or over collection can occur due to a mismatch in the timing of when entities are registered or de-registered and the notification of these activities. It can also occur due to other changes in the prior-year leviable populations, costs or metrics. When the amount of levy collected in relation to a financial year exceeds or falls short of the amount of ASIC's regulatory costs for the financial year, an upward or downward adjustment to our regulatory costs will be made in the following year.

(d) Adjustments for market competition recovery—Some subsectors will include an upwards adjustment for market competition cost recovery. This adjustment relates to the deferred costs associated with implementing the market supervision functions we undertook from the transfer of market supervision in 2010. This cost recovery regime has been consolidated into the ASIC industry funding model for our regulatory activities, including the recovery of the deferred costs associated with implementation. Market competition recovery costs will be recovered over three years until 2019–20.

Step 2: Allocate subsector costs to individual entities

57 Once our regulatory costs are allocated to each subsector, the levy payable by an individual entity is worked out using the flat levy formula or graduated formula in the Cost Recovery Levy Regulations. An individual entity's levy for a financial year is equal to its share of flat and graduated levies for each subsector it is part of in the financial year.

Flat industry funding levies

58 The flat levy formula apportions our regulatory costs for a subsector between entities, based on each entity's share of actual reported business activity (the business activity metric) within the subsector. The business activity metric used to calculate the levy for each subsector is a readily available metric of business activity—such as revenue generated or the number of days in the financial year that the entity held the relevant AFS licence—that closely aligns to the expected level of oversight required.

59 The flat levy formula will apportion our regulatory costs equally between entities in the same subsector where there is no relevant business activity metric.

Graduated industry funding levies

60 Under the graduated levy formula, all entities in a subsector must pay:

(a) a minimum levy; and

(b) an additional graduated component, based on each entity's share of relevant activity within the subsector.

61 We calculate the graduated component by first reducing the total costs for the subsector by the amount to be recovered under the minimum levy and

then apportioning the remainder of our costs between entities based on each entity's share of total business activity within the subsector.

62 In some subsectors, the graduated component only applies beyond a prescribed threshold. In these cases, we will apportion our remaining regulatory costs between entities based on each entity's share of total business activity within the subsector above the prescribed threshold.

63 A specific explanation of how the formulas operate in relation to each subsector is set out in Sections D–J.

Annual return

64 Between July and September each year, regulated entities must provide ASIC with their business activity metrics for the previous financial year via the ASIC Regulatory Portal. This information will enable us to calculate each entity's share of the regulatory costs using the flat and graduated levies.

Indicative industry funding levies

65 The tables in Sections D–J set out indicative industry funding levies for the 2019–20 financial year for each subsector. The indicative levies are a guide only. They are based on our budgeted allocation of costs for each subsector for the 2019–20 financial year and estimates of the population and business activity metrics for each subsector.

66 The Cost Recovery Levy Regulations allow entities in some subsectors to pay their levy on a pro-rata basis. Under the standard pro-rata formula, the levy amount an entity will pay is based on the number of days in the financial year the entity was part of the relevant subsector or held the relevant licence. To calculate indicative levies, in some subsectors, we have included a full-year equivalent (FYE) number of entities in the subsector, to reflect the pro rata of the levy. For example, if there are two entities in a subsector and one was part of the subsector for only half the year, the FYE number will be 1.5 entities.

67 In January 2021 we will issue invoices under the industry funding model for the 2019–20 financial year. We will calculate the actual levies in the January 2021 invoices after the business activity has occurred and we have finalised our regulatory costs. The actual levies will be based on our actual cost of regulating each subsector in 2019–20 as well as the actual business activity metrics submitted by regulated entities on the ASIC Regulatory Portal in July to September 2020. This will ensure that each industry subsector is only charged for the actual costs of regulating that subsector.

68 In some cases, we can arrange a payment plan to allow entities to make industry funding payments in instalments. We may consider waiving a levy only in exceptional circumstances. Information for entities seeking assistance in paying industry funding levies can be found on the ASIC website.

69 We expect the actual levies will change from the indicative levies in this CRIS. The indicative levies are based on budgeted amounts, representing our best estimate of actual levies. As our operating environment changes over time, so will our allocation of regulatory effort and cost allocation to different subsectors. ASIC's supervisory teams will update the proportion of their costs allocated to the industry subsectors they support during the year.

70 We cannot prevent change in our operating environment between the time the indicative levy is calculated and the end of the financial year.

D Corporate sector

Key points

This section sets out our budgeted costs and the work we will do during 2019–20 in regulating each of the subsectors in the corporate sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- corporations (see paragraphs 74–91 and Table 6–Table 10);
- auditors (see paragraphs 92–101 and Table 11–Table 13); and
- registered liquidators (see paragraphs 102–106 and Table 14–Table 15).

Table 16 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the corporate sector

71 The corporate sector consists of companies and those of our regulated population that provide professional services to companies—that is, company auditors and registered liquidators. A company's obligations under the Corporations Act, the activities that we carry out and the intensity of the regulation required, will differ for each type of company.

72 The level of supervision of each subsector in the corporate sector depends on our assessment of the level of potential harm posed by the subsector. For example, we dedicate a significantly larger amount of our regulatory effort to listed corporations, compared to small proprietary companies, because misconduct by listed corporations has the potential to cause greater harm to investors and to fair, strong and efficient financial markets.

73 In this section, we have included tables that set out our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Corporations

Listed corporations

74 In 2019–20, we will focus on the healthy operation of capital markets by promoting best practice corporate culture and conduct through real-time, proactive oversight of corporate governance and transactions. We will aim to protect investors by ensuring that they are treated fairly in corporate transactions. We will engage with investor and business groups to understand and respond to current issues, and assist them in applying the law.

75 Our work will include supervision and surveillance that target corporate governance practices, corporate transactions and disclosures, the integrity of independent experts, and the integrity of financial reporting.

76 Where appropriate, we will take administrative, civil, criminal or other enforcement action—including:

(a) taking enforcement action in response to breaches of the corporate governance, corporations or market integrity laws;

(b) imposing a stop order on fundraising documents;

(c) requiring changes to the structure of transactions where we identify regulatory concerns; and

(d) making applications and submissions to the Takeovers Panel.

77 We will also engage with external shareholders and manage our relationships with them, such as:

(a) ongoing liaison meetings with key stakeholders (e.g. advisory panels) on a range of corporate governance and corporate finance matters:

(b) holding half-yearly Corporate Finance liaison meetings; and

(c) publishing half-yearly reports on our regulation of corporate finance and our response to novel relief applications.

78 Table 6 outlines our areas of focus in the listed corporations sector in 2019–20.

Table 6: Focus areas in the listed corporations sector (2019–20)

Focus area	Description
Corporate Governance Taskforce	• Reviewing and reporting on corporate governance practices across a range of entities, with a focus on director and officer oversight of non-financial risk and board oversight of variable remuneration of key management personnel. • Examining behavioural insights into interactions between directors and officers and into board effectiveness. • Publishing two reports to highlight the practices we observed that call for improvement, as well as those that represent good practice.
Surveillance of pre-selling and churn of small IPOs	Enhanced monitoring of the selling practices in small IPOs to either confirm or disprove suspected poor conduct by directors and advisers, and to identify conflicts and governance issues that lead to poor investor outcomes.
Real-time regulatory oversight of corporate finance transactions and other relevant disclosures	Assessment and review of the structure and disclosure of regulated transactions lodged with ASIC and ASX announcements, to maintain an informed market, minimise the risk of investor harm, and contribute to other government priorities such as Foreign Investment Review Board processes.

Focus area	Description
Independent experts and technical specialists	Ongoing surveillance focusing on independence, competence and undue reliance on information provided by the subject companies.
Crowd-sourced funding offers	Surveillance of disclosure documents and advertising.
Enforcement of director obligations	Investigating administrative and criminal cases and making relevant referrals.
Financial reporting quality	• Proactive and reactive review of the quality of financial reports of listed companies.
Enhancing mergers and acquisitions policy	• Introducing a legislative instrument on ‘stub equity’ offers on control transactions. • Consulting on updating policy and regulatory guidance (including Regulatory Guide 25 *Takeovers: False and misleading statements* (RG 25)).
Climate risk disclosure	• Updating ASIC policy and guidance in Regulatory Guide 228 *Prospectuses: Effective disclosure for retail investors* (RG 228), Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247) and Information Sheet 203 *Impairment of non-financial assets: Materials for directors* (INFO 203). • Liaising with government and industry bodies on climate risk issues, including the Council of Financial Regulators. • Surveillance of climate risk disclosure and governance of listed entities and publication of observations.

Industry funding levy for listed corporations

79 Listed corporations will pay a levy calculated in accordance with the graduated levy formula. The levy payable by listed corporations is based on their market capitalisation as at the end of the financial year.

80 All listed corporations will pay a minimum levy of $4,000 if they have a market capitalisation under $5 million. Entities that have a market capitalisation of $5 million or more will pay an additional graduated component, depending on each entity’s share of the total market capitalisation of listed corporations in the subsector. However, entities that have a market capitalisation of $20 billion or more will be treated as having a market capitalisation of $20 billion. This will provide a maximum amount of levy that entities in the subsector will be required to pay.

Note: Exempt foreign entities under the ASX listing rules will only be required to pay a levy in relation to their securities held in Australia.

81 The cost of regulating listed corporations in 2018–19 was $63.8 million. The budgeted costs for 2019–20 are set out in Table 7.

Table 7: Budgeted costs to regulate listed corporations sector

Expense	Cost
Surveillance	$6.654m
Enforcement	$32.933m
Financial capability	$0.020m
Other regulatory activities	
Industry engagement	*$0.747m*
Education	*$0.020m*
Guidance	*$0.312m*
Policy advice	*$0.227m*
Indirect costs	
Governance, central strategy and legal	*$6.113m*
IT support	*$6.593m*
Operations support	*$4.095m*
Property and corporate services	*$8.055m*
Total operating expenditure	**$65.769m**
Adjustment for capital expenditure allowance	$5.299m
Adjustment for costs funded by own-source revenue	($0.356m)
Adjustment for market supervision cost recovery	$0.658m
Adjustment for prior year (under or over recovery)	$0.437m
Total costs to be recovered by levy	**$71.806m**

Other company subsectors

82 Flat annual levies apply for unlisted public companies and large proprietary companies.

Industry funding levy for unlisted public companies

83 Unlisted public companies will pay a flat levy. Under this formula our regulatory costs will be shared equally between all unlisted public companies in the financial year. We will prescribe the number of unlisted public companies for each year as part of our annual legislative instrument.

84 There is no pro rata of the levy because the low annual levy means that pro rating would be administratively burdensome, disproportionately increasing costs to be passed on to the subsector.

85 The cost of regulating unlisted public companies in 2018–19 was $1.6 million. The budgeted costs for 2019–20 are set out in Table 8.

Table 8: Budgeted costs to regulate unlisted public companies

Expense	Cost
Surveillance	$0.153m
Enforcement	$0.401m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.003m*
Education	*$0.00m*
Guidance	*$0.002m*
Policy advice	*$0.002m*
Indirect costs	
Governance, central strategy and legal	*$0.132m*
IT support	*$0.198m*
Operations support	*$0.095m*
Property and corporate services	*$0.225m*
Total operating expenditure	**$1.211m**
Adjustment for capital expenditure allowance	$0.188m
Adjustment for costs funded by own-source revenue	($0.015m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.154m
Total costs to be recovered by levy	**$1.539m**

Industry funding levy for large proprietary companies

86 Large proprietary companies will pay a flat levy. Our regulatory costs for the subsector will be shared equally between all large proprietary companies in the financial year. There is no pro rata of the levy as pro rating would be administratively burdensome and would disproportionately increase costs to be passed on to the subsector.

87 The cost of regulating large proprietary companies in 2018–19 was $5.1 million. The budgeted costs for 2019–20 are set out in Table 9.

Table 9: Budgeted costs to regulate large proprietary companies

Expense	Cost
Surveillance	$0.132m
Enforcement	$3.094m
Financial capability	$0.001m
Other regulatory activities	
Industry engagement	*$0.011m*
Education	*$0.006m*
Guidance	*$0.003m*
Policy advice	*$0.002m*
Indirect costs	
Governance, central strategy and legal	*$0.477m*
IT support	*$0.451m*
Operations support	*$0.324m*
Property and corporate services	*$0.609m*
Total operating expenditure	**$5.112m**
Adjustment for capital expenditure allowance	$0.402m
Adjustment for costs funded by own-source revenue	($0.028m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.071m
Total costs to be recovered by levy	**$5.556m**

Cost recovery for small proprietary companies

88 In 2019–20, we will continue to engage with small business and government stakeholders in relation to capacity building. We will increase support and new programs for small businesses in culturally and linguistically diverse communities to help them access the information they need to increase their financial acumen.

89 We will continue to target illegal phoenix activity by supporting legislative reforms and Government initiatives, and by conducting surveillance of potential illegal activities. Our work on phoenix activity is spread across several parts of ASIC and the recovery of our regulatory costs is not limited to the small proprietary companies sector.

90 Small proprietary companies are not included as a subsector in the Cost Recovery Levy Regulations because we will recover our regulatory costs for this subsector through a $4 increase to the annual review fee for proprietary companies. This will minimise the regulatory burden on small proprietary companies by ensuring they only pay one fee each year. The $4 increase will be subject to indexation. We refer to small proprietary companies as a subsector in the CRIS because we regulate these entities.

91 The $4 increase applies to all proprietary companies. We will reduce our levy for large proprietary companies by an amount equal to the additional $4 (indexed) that large proprietary companies will pay through the increase to the annual review fee.

Note: The annual review fee is a registry fee and is not charged within the Australian Government Charging Framework.

Table 10: Budgeted costs to regulate small proprietary companies

Expense	Cost
Surveillance	$2.473m
Enforcement	$5.121m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.182m*
Education	*$0.094m*
Guidance	*$0.037m*
Policy advice	*$0.034m*
Indirect costs	
Governance, central strategy and legal	*$0.461m*
IT support	*$0.338m*
Operations support	*$0.222m*
Property and corporate services	*$0.970m*
Total operating expenditure	**$9.932m**
Adjustment for capital expenditure allowance	$0.303m
Adjustment for costs funded by own-source revenue	($0.019m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$10.215m**

Auditors

92 Auditors play a vital role in strengthening investor trust and confidence in the quality of financial reports. The regulation of auditors supports the operation of Australia's financial markets by helping to ensure that financial reports are credible and independently verifiable. This is reflected in our ongoing focus on improving audit quality and the consistency of audit execution.

93 Audit firm inspections and auditor supervision and surveillances are key compliance tools used by ASIC to influence the behaviour of registered company auditors and audit firms. We undertake risk-based reviews of auditors to improve audit quality. When we identify a potential harm or breach of accounting and audit standards or the Corporations Act, we will determine the most appropriate response. We can, if appropriate, seek to suspend or cancel the registration of the auditor by referral to the CADB, or take other enforcement action.

94 In 2019–20, our work will aim to ensure auditors deliver professional and high-quality audits through experience and expertise, effective internal supervision and review, and robust accountability mechanisms. We will conduct proactive and reactive supervision and surveillance of audit files, and work with the sector and other regulators to improve audit quality.

95 Table 11 outlines our areas of focus in the auditor sector in 2019–20.

Table 11: Focus areas in auditor sector (2019–20)

Focus area	Description
Audit quality	• Reviewing key areas of audits of selected listed entities and other public interest financial reports. • Reviewing the culture, talent, governance, conflicts of interest, quality reviews and accountability for audit quality at the six largest firms. • Reporting inspection findings and issuing a paper with broader audit quality measures.
Enforcement of audit requirements	Proactive and reactive review of the quality of audits of financial reports of listed companies and other public interest entities.
Communication of audit findings	Using communication as a means to improve financial reporting and audit quality, including publicly reporting on audit inspection findings.
Other initiatives	Other ASIC initiatives to improve audit quality, including: • reviews of conflicts of interest, culture, talent, governance and accountability at the largest six audit firms • publication of a broad range of audit quality measures, indicators and other information.

Industry funding levy for auditors of disclosing entities

96 Auditors of disclosing entities with quoted securities are subject to a levy based on the value of the work firms undertake. This is because entities that are making substantial fee revenue are either auditing more complex companies, a larger number of companies, or a combination of the two, and poor audit practices within these firms present a larger risk to the broader operation of Australia's financial markets.

97 Our regulatory costs will be divided between entities based on the firm's audit fee revenue from audits of disclosing entities with quoted securities and their controlled entities, relative to the total audit fee revenue for the subsector.

98 The cost of regulating auditors of disclosing entities in 2018–19 was $5.6 million. The budgeted costs for 2019–20 are set out in Table 12.

Table 12: Budgeted costs to regulate auditors of disclosing entities

Expense	Cost
Surveillance	$2.814m
Enforcement	$0.203m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.045m*
Education	*$0.001m*
Guidance	*$0.021m*
Policy advice	*$0.160m*
Indirect costs	
Governance, central strategy and legal	*$0.538m*
IT support	*$0.558m*
Operations support	*$0.367m*
Property and corporate services	*$0.688m*
Total operating expenditure	**$5.393m**
Adjustment for capital expenditure allowance	$0.568m
Adjustment for costs funded by own-source revenue	($0.033m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$5.928m**

Industry funding levy for registered company auditors

99 Registered company auditors are charged a flat levy. The flat levy recognises that we also undertake proactive and reactive surveillance of audits of listed entities, other disclosing entities and unlisted entities, such as registered schemes, AFS licensees, unlisted public companies and large proprietary companies. These activities may result in referrals of individual registered company auditors to the CADB or other actions.

100 A flat levy applies as a relatively small amount of our regulatory effort is expended on registered company auditors. In addition, the total amount to be recovered is small compared to the number of registered company auditors from which the costs will be recovered. A graduated levy would impose additional administrative costs, increase the complexity of the model and recover only a relatively small amount of our regulatory costs.

101 The cost of regulating registered company auditors in 2018–19 was $0.9 million. The budgeted costs for 2019–20 are set out in Table 13.

Table 13: Budgeted costs to regulate registered company auditors

Expense	Cost
Surveillance	$0.486m
Enforcement	$0.330m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.014m*
Education	*$0.00m*
Guidance	*$0.008m*
Policy advice	*$0.015m*
Indirect costs	
Governance, central strategy and legal	*$0.281m*
IT support	*$0.481m*
Operations support	*$0.205m*
Property and corporate services	*$0.516m*
Total operating expenditure	**$2.335m**
Adjustment for capital expenditure allowance	$0.213m
Adjustment for costs funded by own-source revenue	($0.018m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.039m
Total costs to be recovered by levy	**$2.569m**

Registered liquidators

102 Our regulation of registered liquidators seeks to ensure that they fulfil their role as fiduciaries diligently, independently and with creditors' interests central to their actions. Consequently, we focus on independence, competence and on ensuring that registered liquidators do not improperly gain from their appointments.

103 To achieve this, we will identify and prioritise actual and potential threats and harms to creditors, investors, and fair and efficient markets. We will undertake risk-based, proactive and reactive supervision and surveillances of the sector to identify breaches of the law or professional standards, and take appropriate action. We will also work with the sector to improve the competence of registered liquidators.

104 Table 14 outlines our areas of focus in the registered liquidators subsector in 2019–20.

Table 14: Focus areas in registered liquidators subsector (2019–20)

Focus area	Description
Proactive and reactive surveillance of registered liquidators	• Proactive risk-based reviews of industry to identify poor conduct, illegal phoenix activity and emerging industry risks. • Informing the market through regulatory publications.
Disciplinary and enforcement action against registered liquidators	• Reviewing registered liquidator conduct, assessing reports of misconduct and taking disciplinary and enforcement action where appropriate. • Publishing reports on ASIC supervision of registered liquidators.
Registered liquidator remuneration	• Reviewing how remuneration is charged and disclosed and supporting improved industry practices. • Publishing relevant information in ASIC's Corporate Insolvency Update (quarterly).
Independence of registered liquidator referral relationships	• Identifying independence concerns by reviewing existing registered liquidator referral relationships and monitoring the impact of structural changes. • Publishing relevant information in ASIC's Corporate Insolvency Update (quarterly).
Funds handling of companies in administration	• Reviewing current controls via results of industry survey.

Industry funding levy for registered liquidators

105 Registered liquidators will pay a minimum levy of $2,500 and a variable amount, depending on each liquidator's share of the total number of prescribed notifiable events that occur each year. There is no pro rata of the

graduated levy amount because the formula already provides for an effective scale of business activity—an entity that only operates for part of the year would have less prescribed notifiable events.

106 The cost of regulating registered liquidators in 2018–19 was $7.3 million. The budgeted costs for 2019–20 are set out in Table 15.

Table 15: Budgeted costs to regulate registered liquidators

Expense	Cost
Surveillance	$1.201m
Enforcement	$2.371m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.302m*
Education	*$0.155m*
Guidance	*$0.062m*
Policy advice	*$0.057m*
Indirect costs	
Governance, central strategy and legal	*$0.937m*
IT support	*$0.703m*
Operations support	*$0.475m*
Property and corporate services	*$0.845m*
Total operating expenditure	**$7.109m**
Adjustment for capital expenditure allowance	$0.673m
Adjustment for costs funded by own-source revenue	($0.042m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.020m
Total costs to be recovered by levy	**$7.760m**

Note: Own-source revenue does not include a court cost recovery of $850,000 received in December 2019.

Summary table of budgeted industry funding levies for the corporate sector

Table 16: Budgeted industry funding levies for the corporate sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Listed corporations	$71.806m	2,177	**Market capitalisation** An entity *listed* at the end of the financial year must multiply: • the price for the entity's main class of securities at the time market closes on the last trading day of the financial year; and • the number of securities in that class at that relevant time. An entity *unlisted* at the end of the financial year (but listed in the financial year) must multiply: • the last price for the entity's main class of securities on the day before the entity stops being listed; and • the number of securities in that class at that relevant time. Note: Exempt foreign entities under the ASX listing rules will only be required to pay a levy in relation to their securities held in Australia.	$4,000	$5m market capitalisation (minimum levy threshold) $20bn market capitalisation (maximum levy threshold)	$4,000 plus $0.44 per $10,000 of market capitalisation above $5m. Maximum levy of $883,780, for entities with a market capitalisation of greater than $20bn
Unlisted public companies	$1.539m	14,846	Flat levy	N/A	N/A	$103
Large proprietary companies	$5.556m	Unknown	Flat levy Note: To ensure large proprietary companies are not overcharged, the actual levy will be reduced by the $4 increase in the annual review fee for proprietary companies.	N/A	N/A	Note: Due to the change in definition of large proprietary company, ASIC is unable to reliably estimate how many companies will meet the revised definition.

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Small proprietary companies	$10.215m	2,678,816	Costs recovered via an increase in the annual review fee for proprietary companies	N/A	N/A	Not applicable. Recovered via the annual review fee.
Auditors of disclosing entities	$5.928m	112	**Audit fee revenue** The total of the fees paid or payable to the entity in the financial year for the auditing and review of financial reports that relate to: • a disclosing entity with quoted securities; or • an entity controlled by a disclosing entity with quoted securities. Note: Whether a disclosing entity controls another entity is decided in accordance with the accounting standard AASB 10 *Consolidated Financial Statements.*	N/A	No threshold	$106 per $10,000 of fees paid or payable
Registered company auditors	$2.569m	4,089	Flat levy	N/A	N/A	$628
Registered liquidators	$7.760m	665	**Number of external administration appointments and notifiable events** The sum of: • the number of specified appointments under Ch 5 of the Corporations Act accepted by the entity that financial year and in an earlier financial year if the entity is still acting at the start of the financial year for which the levy is to be calculated (see reg 20(3)(a)–(b) of the Cost Recovery Levy Regulations); • the number of specified notifiable events entered on the Published Notices Website by the entity (see reg 20(3)(c)); and • the number of documents lodged with ASIC by the entity for: – a notice of the outcome of a proposal to pass a resolution without a meeting; and – an executed deed of company arrangement (see reg 20(3)(d)).	$2,500	No threshold	$2,500 plus $101 per appointment and notifiable event

E Deposit taking and credit sector

Key points

This section sets out our budgeted costs and the work we will do during 2019–20 in regulating each of the subsectors in the deposit taking and credit sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- credit licensees (see paragraphs 111–127 and Table 17–Table 20);
- deposit product providers (see paragraphs 128–131, Table 17 and Table 21);
- payment product providers (see paragraphs 132–137, Table 17 and Table 22); and
- margin lenders (see paragraphs 138–141, Table 17 and Table 23).

Table 24 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the deposit taking and credit sector

107 The deposit taking and credit sector consists of credit licensees (including credit providers, credit intermediaries, small and medium amount credit providers and consumer lease providers) and AFS licensees (including deposit product providers, payment product providers and margin lenders).

108 We use the full suite of our regulatory tools to promote fairness and professionalism in this sector in order to bring about sound consumer outcomes. This includes taking enforcement action, where appropriate, to address misconduct. It also includes the use of our new tools, such as our new product intervention power, to address undesirable practices and products.

109 Table 17 outlines our areas of focus in the deposit taking and credit sector in 2019–20.

Table 17: Focus areas in deposit taking and credit sector (2019–20)

Focus area	Description
Responsible lending guidance	• Holding public hearings as part of our consultation process. • Updating our regulatory guidance on responsible lending.
Strategic use of product intervention power	Using ASIC's new power strategically to address unfair practices in the sale and distribution of credit products.

Focus area	Description
Home lending: experiences of consumers taking out home loans	Publishing results of consumer research incorporating critical decision-making events for consumers when purchasing a home loan, what influences consumers, and identifying any gaps in consumer knowledge during the process.
Car finance responsible lending review	• Reviewing compliance with responsible lending, debt collection and hardship obligations in the car finance sector and reporting on our findings. • Potential enforcement action in response to serious non-compliance.
Consumers experiencing financial difficulty	• Commencing a review of how lenders respond to consumers experiencing financial difficulty, including their debt collection practices. • Identifying matters for referral to our enforcement teams.
Improving standards through codes of practice	• Making decisions on applications for approval of codes of practice. • Providing feedback during the development of codes of practice. • Providing input into the enforceable code regime, including legislative amendments and changes to ASIC policies as required.
Financial Inclusion Taskforce: Palm Island pilot	Investigating the harm caused by the sale of high-cost low-value financial products (e.g. payday loans, life and funeral insurance, and consumer leases) to vulnerable low-income consumers (especially Indigenous consumers).
Recurrent mortgage data collection	Examining the effectiveness of a pilot project on collection of recurrent data on home loans as a tool for improving ASIC's oversight of industry practices.
Loan application fraud review	Reviewing industry practices for detecting and responding to fraud in loan applications.
Engaging with technology-driven change	• Monitoring the implications of the Consumer Data Right regime (Open Banking)—although the regime is not monitored by ASIC, the affected entities are ASIC-regulated, and in some cases may involve the provision of financial services or credit activities, or may assist with another activity such as responsible lending. • Examining artificial intelligence solutions for detecting non-compliant financial promotions.
ePayments Code	Examining and publicly consulting on possible changes to the ePayments Code so it reflects market and industry changes over recent years.
'Buy now pay later' products	• Developing an evidence-based understanding of suitable minimum safeguards for the buy now pay later sector, proactively driving early and continuous improvements to consumer outcomes, whilst the Government considers appropriate regulation. • Develop further insights into key risk for consumers through consumer research.

110 The tables in next sections (Table 18–Table 23) depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Credit licensees

111 There are around 6,600 credit licensees with an authorisation to provide credit and/or engage in other credit activities. They include credit providers, such as authorised deposit-taking institutions (banks, credit unions and building societies), credit intermediaries such as mortgage and finance brokers, small and medium amount credit providers, and consumer lease providers.

112 We administer Australia's consumer credit laws to improve consumer outcomes by ensuring compliance by lenders and brokers with the responsible lending obligations and reduce the extent to which consumers are sold products that do not meet their needs.

113 Our regulatory work includes monitoring credit licensees' compliance with the *National Consumer Credit Protection Act 2009* (National Credit Act) and taking appropriate action in response to non-compliance. We also engage with stakeholders to ensure risks are identified and addressed and provide guidance to credit licensees about their legal obligations.

114 In 2019–20, we will continue to promote responsible lending practices and appropriate responses to financial hardship in the credit industry. As a way of increasing transparency in the way we make regulatory decisions, we held two public hearings on responsible lending in August 2019. Our updated guidance on responsible lending reflects the results from these hearings as well as the broader feedback from our consultation on Regulatory Guide 209 *Credit licensing: Responsible lending conduct* (RG 209). We will also continue to focus on the risk of loan payment stress resulting from inappropriate lending and changing economic conditions, with a focus on home lending and high-risk products (e.g. small amount credit contracts and consumer leasing).

115 We will identify and resolve credit licensee non-compliance and work to reduce the sale of inappropriate products and inappropriate outcomes. This includes the use of our product intervention power. This also includes further work in relation to buy now pay later products.

116 We will also focus on technology and innovation, and on facilitating appropriate legislative reform. In this area we will monitor product developments, as well as engaging with new businesses through our Innovation Hub.

Industry funding levies for credit licensees

117 The intensity of our regulation depends on the services offered by a credit licensee (i.e. credit provision or intermediary services), as well as the scale of the licensee's operation. For example, large credit businesses with

significant customer bases present a greater potential risk to consumers, investors and markets than smaller institutions, and therefore may require more regulatory attention.

118 The credit licensee levies are generally cumulative—for example, if a credit licensee holds authorisations as a credit provider and a credit intermediary and provides both small amount credit contracts and regular loans, they are required to pay the levy applicable for all three subsectors. Each graduated levy is calculated separately and only relates to the licensee's involvement in that activity or subsector.

Credit providers

119 An entity that holds an Australian credit licence (credit licence) authorising it to engage in credit activities as a credit provider will fall within this subsector.

120 All credit providers (including those that only provide credit under small and medium amount credit contracts—see paragraph 123) will pay a minimum levy of $2,000. Credit providers that provide more than $100 million in credit contracts (other than under small and medium amount credit contracts) will also pay a variable component based on the credit provider's share of the total value of credit contracts above the $100 million threshold provided by the subsector each financial year.

121 The cost of regulating credit providers in 2018–19 was $19.8 million. The budgeted costs for 2019–20 are set out in Table 18.

Table 18: Budgeted costs to regulate credit providers

Expense	Cost
Surveillance	$5.886m
Enforcement	$4.524m
Financial capability	$1.814m
Other regulatory activities	
Industry engagement	*$0.629m*
Education	*$0.070m*
Guidance	*$0.252m*
Policy advice	*$0.525m*
Indirect costs	
Governance, central strategy and legal	*$1.941m*
IT support	*$1.934m*
Operations support	*$1.401m*
Property and corporate services	*$2.617m*

Expense	Cost
Total operating expenditure	**$21.591m**
Adjustment for capital expenditure allowance	$1.707m
Adjustment for costs funded by own-source revenue	($0.123m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.148m
Total costs to be recovered by levy	**$23.322m**

Small and medium amount credit providers

122 An entity will fall within the subsector if it:

(a) holds a credit licence authorising it to engage in credit activities as a credit provider; and

(b) provides credit under a small amount credit contract or a medium amount credit contract.

Note 1: ‘Small amount credit contract’ is defined in s5 of the National Credit Act. Small amount credit contracts are also known as ‘small amount loans’ and ‘payday loans’.

Note 2: ‘Medium amount credit contract’ is defined in s204 of the National Credit Code (Sch 1 to the National Credit Act).

123 The subsector regulatory costs will be shared between entities based on each entity’s share of the total amount of credit provided under small amount credit contracts or medium amount credit contracts. There is no minimum levy because entities that fall within the subsector will also fall within the credit provider subsector and therefore would have to pay the $2,000 minimum levy applicable to that subsector.

124 The cost of regulating small and medium amount credit providers in 2018–19 was $1.3 million. The budgeted costs for 2019–20 are set out in Table 19.

Table 19: Budgeted costs to regulate small and medium amount credit providers

Expense	Cost
Surveillance	$0.450m
Enforcement	$0.015m
Financial capability	$0.138m

Expense	Cost
Other regulatory activities	
Industry engagement	*$0.048m*
Education	*$0.005m*
Guidance	*$0.019m*
Policy advice	*$0.040m*
Indirect costs	
Governance, central strategy and legal	*$0.104m*
IT support	*$0.108m*
Operations support	*$0.076m*
Property and corporate services	*$0.145m*
Total operating expenditure	**$1.147m**
Adjustment for capital expenditure allowance	$0.092m
Adjustment for costs funded by own-source revenue	($0.007m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$1.232m**

Credit intermediaries

125 Entities that hold a credit licence authorising them to engage in credit activities other than as a credit provider will fall within this subsector.

126 Each credit intermediary will pay a minimum levy of $1,000 and then a variable amount depending on the number of credit representatives the entity has as a proportion of the total number of credit representatives in the subsector.

127 The cost of regulating credit intermediaries in 2018–19 was $6.6 million. The budgeted costs for 2019–20 are set out in Table 20.

Table 20: Budgeted costs to regulate credit intermediaries

Expense	Cost
Surveillance	$1.939m
Enforcement	$2.649m
Financial capability	$0.597m

Expense	Cost
Other regulatory activities	
Industry engagement	*$0.207m*
Education	*$0.023m*
Guidance	*$0.083m*
Policy advice	*$0.172m*
Indirect costs	
Governance, central strategy and legal	*$0.846m*
IT support	*$0.826m*
Operations support	*$0.611m*
Property and corporate services	*$1.146m*
Total operating expenditure	**$9.100m**
Adjustment for capital expenditure allowance	$0.724m
Adjustment for costs funded by own-source revenue	($0.054m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.333m
Total costs to be recovered by levy	**$10.103m**

Deposit product providers

128 Deposit product providers are the authorised deposit-taking institutions (i.e. banks, credit unions and building societies) that provide deposit products to consumers, such as deposit accounts, certificates of deposit, and foreign currency deposits. An entity that holds an AFS licence authorisation to deal in a financial product by issuing deposit products will fall within this subsector.

129 The level of our supervision for deposit product providers is affected by the scale of the entity's operations. Total deposits provide a measure of the entity's scale, customer base and significance to the market.

Industry funding levy for deposit product providers

130 To recover our regulatory costs for the subsector, deposit product providers must pay a graduated levy based on the total deposits of the entity. All deposit product providers will pay a minimum levy of $2,000. A deposit product provider that holds more than $10 million in deposits at the end of

the financial year will pay a variable component based on its share of the total value of deposits above the $10 million threshold held by the subsector in the financial year.

131 The cost of regulating deposit product providers in 2018–19 was $2.9 million. The budgeted costs for 2019–20 are set out in Table 21.

Table 21: Budgeted costs to regulate deposit product providers

Expense	Cost
Surveillance	$0.817m
Enforcement	$0.324m
Financial capability	$0.206m
Other regulatory activities	
Industry engagement	*$0.076m*
Education	*$0.008m*
Guidance	*$0.031m*
Policy advice	*$0.063m*
Indirect costs	
Governance, central strategy and legal	*$0.267m*
IT support	*$0.355m*
Operations support	*$0.193m*
Property and corporate services	*$0.414m*
Total operating expenditure	**$2.754m**
Adjustment for capital expenditure allowance	$0.225m
Adjustment for costs funded by own-source revenue	($0.017m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.006m
Total costs to be recovered by levy	**$2.968m**

Payment product providers

132 Payment product providers are AFS licensees that deal in financial products through which, or through the acquisition of which, non-cash payments can be made.

133 In 2019–20, we are contributing to a Council of Financial Regulators working group that is considering the regulatory framework for some classes of payment products.

134 We will continue to monitor these licensees' compliance with their obligations under the Corporations Act through proactive and reactive supervision and surveillances. When we identify a potential harm or potential breach of the law, we will determine the most appropriate response.

135 We will examine possible changes to the ePayments Code so that it reflects market and industry changes over recent years.

Industry funding levy for payment product providers

136 Payment product providers must pay a graduated levy. Payment product providers will pay a minimum levy of $2,000 and a graduated levy based on each entity's share of the total revenue received by the subsector.

137 The cost of regulating payment product providers in 2018–19 was $0.9 million. The budgeted costs for 2019–20 are set out in Table 22.

Table 22: Budgeted costs to regulate payment product providers

Expense	Cost
Surveillance	$0.368m
Enforcement	$0.224m
Financial capability	$0.113m
Other regulatory activities	
Industry engagement	*$0.039m*
Education	*$0.004m*
Guidance	*$0.016m*
Policy advice	*$0.033m*
Indirect costs	
Governance, central strategy and legal	*$0.122m*
IT support	*$0.122m*
Operations support	*$0.089m*
Property and corporate services	*$0.169m*
Total operating expenditure	**$1.298m**
Adjustment for capital expenditure allowance	$0.106m
Adjustment for costs funded by own-source revenue	($0.008m)

Expense	Cost
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.004m
Total costs to be recovered by levy	**$1.401m**

Margin lenders

138 AFS licensees with an authorisation to deal in a financial product by issuing margin lending facilities during a financial year fall within this subsector. A margin lending facility allows a person to borrow money to invest in securities and other financial products against the security of any equity contribution. While this can help investors increase their returns, it can also magnify any losses.

139 In 2019–20, we will continue to focus on using our regulatory tools to reduce the sale of inappropriate margin lending products to consumers.

Industry funding levy for margin lenders

140 A flat levy applies for the margin lender subsector. The subsector regulatory costs will be shared equally based on the number of margin lenders in the financial year. An entity that does not operate for a full financial year will only share in the regulatory costs for the subsector in proportion to the number of days in the financial year the entity held the relevant AFS licence authorisation.

141 The cost of regulating margin lenders in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 23.

Table 23: Budgeted costs to regulate margin lenders

Expense	Cost
Surveillance	$0.077m
Enforcement	$0.003m
Financial capability	$0.023m
Other regulatory activities	
Industry engagement	*$0.008m*
Education	*$0.001m*
Guidance	*$0.003m*
Policy advice	*$0.007m*

Expense	Cost
Indirect costs	
Governance, central strategy and legal	*$0.018m*
IT support	*$0.019m*
Operations support	*$0.013m*
Property and corporate services	*$0.025m*
Total operating expenditure	**$0.198m**
Adjustment for capital expenditure allowance	$0.016m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.213m**

Summary table of budgeted industry funding levies for deposit taking and credit sector

Table 24: Budgeted industry funding levies for the deposit taking and credit sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Credit providers	$23.322m	1,149 (includes small and medium amount credit providers)	**Credit provided in the financial year** The gross amount of credit provided by the entity in the financial year under credit contracts (other than small and medium amount credit contracts).	$2,000	$100m	$2,000 plus $0.41 per $10,000 of credit provided above $100m
Small and medium amount credit providers	$1.232m	237	**Credit provided in the financial year** The gross amount of credit provided under small and medium amount credit contracts.	N/A	No threshold	$7.53 per $10,000 of credit provided under small and medium credit contracts
Credit intermediaries	$10.103m	5036 (36,539 credit rep-resentatives)	**Credit representatives** The number of credit representatives (within the meaning of the National Credit Act) that the entity has at the end of the financial year.	$1,000	No threshold	$1,000 plus $138.68 per credit representative
Deposit product providers	$2.968m	223	**Total deposits** The total value of deposits held at the end of the financial year in deposit products issued by the entity (whether the deposit product was issued in the financial year or an earlier financial year).	$2,000	$10m	$2,000 plus (if the entity's metric exceeds $10m) $1.06 per $1m of total deposits above $10m

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Payment product providers	$1.401m	664	**Total revenue from payment product provider activity** The total gross revenue received in the financial year in connection with non-cash payment products issued by the entity less expenses incurred during the financial year from dealing in non-cash payment facilities.	$2,000	No threshold	$2,000 plus $2.02 per $100,000 of total revenue from payment product provider activity
Margin lenders	$0.213m	22.21*	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$9,569

* Note: To calculate the indicative levy for the margin lenders subsector, we have used the full-year equivalent (FYE) number of entities in the subsector, to reflect the pro rata of the levy (see paragraph 66).

F Investment management, superannuation and related services sector

Key points

This section sets out our budgeted costs and the work we will do during 2019–20 in regulating each of the subsectors in the investment management, superannuation and related services sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- superannuation trustees (see paragraphs 146–154 and Table 25–Table 26);
- responsible entities (see paragraphs 155–161 and Table 27–Table 28);
- operators of notified foreign passport funds and regulated former notified funds (see paragraphs 162–166);
- wholesale trustees (see paragraphs 167–170 and Table 29);
- custodians (see paragraphs 171–173 and Table 30);
- IDPS operators (see paragraphs 174–177 and Table 31);
- MDA providers (see paragraphs 178–181 and Table 32);
- traditional trustee company service providers (see paragraphs 182–185 and Table 33); and
- CSF intermediaries (see paragraphs 186–188).

Table 34 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the investment management, superannuation and related services sector

142 The investment management, superannuation and related services sector consists of AFS licensees with authorisations to:

(a) operate registered managed investment schemes (responsible entities);

(b) operate a notified foreign passport fund or a regulated former notified fund;

(c) issue or arrange for the issue of interests in a managed investment scheme to wholesale clients (wholesale trustees);

(d) provide custodial and depository services (custodians); and

(e) act as IDPS operators, MDA providers or traditional trustee company service providers.

143 Entities that are a registrable superannuation entity (RSE) licensees (within the meaning of the *Superannuation Industry (Supervision) Act 1993* (SIS Act)) will also fall within the investment management, superannuation and related services sector (as 'superannuation trustees').

144 We expend a large amount of regulatory effort within this industry sector because of the large number of interactions entities in this sector have with retail and institutional investors, and the potential harm to consumers, investors and markets.

145 In the following sections, Table 26 and Table 28–Table 33 depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Superannuation trustees

146 We are primarily responsible for ensuring superannuation trustees meet their obligations to consumers, including disclosure and advice to members and ensuring members have access to complaints processes.

147 A strategic priority in 2019–20 is to work towards establishing ASIC as the primary regulator of conduct in superannuation, consistent with the Government's response to the Royal Commission recommendations. Our approach also considers the role of APRA as a superannuation regulator, as well as the role of the Australian Taxation Office.

148 In 2019–20, we will seek to improve outcomes in superannuation through:

(a) taking decisive regulatory and enforcement action to deter and punish misconduct, and supporting relevant legislative reforms;

(b) supervision and surveillance of superannuation trustees, focusing on whether trustees act in the best interest of consumers and treat them fairly; and

(c) implementing the superannuation recommendations of the Royal Commission and other reviews.

149 We will continue to support law reform and contribute to policy development, and engage with and provide guidance and advice to industry.

150 Table 25 outlines our areas of focus in the superannuation trustees subsector in 2019–20.

Table 25: Focus areas in the superannuation trustees subsector (2019–20)

Focus area	Description
Implementing Royal Commission and Productivity Commission law reform recommendations	Assisting Treasury to develop and implement legislative reforms stemming from the Royal Commission and the Productivity Commission inquiry into superannuation, including the proposed conduct accountability regime, oversight of advice fee deductions from superannuation accounts, anti-hawking prohibitions, and other reforms.
Trustee misconduct	• Identifying and pursuing actions against misconduct by superannuation trustees, including cases evidencing a culture inconsistent with acting in the best interests of members. • Communicating publicly about this work as and when appropriate.
Strengthening ASIC's role as a conduct regulator	• Engaging with Treasury and APRA on development of legislative reforms. • Exploring the provision of further guidance to industry.
Insurance in superannuation	• Influencing market practice by monitoring trustees and codes, and publicly contributing data and analysis about consumer outcomes in relation to insurance in superannuation. • Supporting law reform to achieve public policy objectives. • Communicating with the market about our work.
Advice by superannuation funds	Examining advice services offered by superannuation funds to their members and testing the quality of that advice.
Advice deductions	Working with APRA on improving trustee oversight of advice deductions.
Fees and costs disclosure in managed investments and superannuation	Issuing an updated Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements* (RG 97) and associated instruments, and communicating with industry, financial advisers and consumers about the application of the fees and costs regime.
Communication of 'Protecting Your Superannuation Package' reforms	Monitoring and publishing a report on the implementation of these reforms, focusing on trustees' communications and engagement practices.
Enhancing ASIC communication to superannuation trustees and their advisers	Providing more accessible information about our superannuation work in order to influence better behaviour by superannuation trustees and their advisers.

Industry funding levy for superannuation trustees

151 An entity will fall within the superannuation trustees subsector if the entity is an RSE licensee (within the meaning of the SIS Act).

152 Superannuation trustees must pay a levy calculated in accordance with the graduated levy formula. All superannuation trustees will pay a minimum levy of $18,000. Where the total value of assets in all registrable superannuation entities operated by the trustee exceeds $250 million, that trustee will have to pay a graduated levy amount.

153 The graduated levy amount is equal to the value of assets in all registrable superannuation entities operated by the trustee as a proportion of the total value of assets in all entities in the subsector above the $250 million threshold. To avoid double counting of assets, the total value of assets will not include any assets that are an interest in another registrable superannuation entity operated by the trustee. Employer-sponsored receivables are also excluded from total assets for the purposes of calculating the levy.

154 The cost of regulating superannuation trustees in 2018–19 was $17.2 million. The budgeted costs for 2019–20 are set out in Table 26.

Table 26: Budgeted costs to regulate superannuation trustees

Expense	Cost
Surveillance	$4.033m
Enforcement	$6.418m
Financial capability	$1.182m
Other regulatory activities	
Industry engagement	*$0.354m*
Education	*$0.049m*
Guidance	*$0.553m*
Policy advice	*$1.456m*
Indirect costs	
Governance, central strategy and legal	*$2.127m*
IT support	*$2.171m*
Operations support	*$1.593m*
Property and corporate services	*$2.891m*
Total operating expenditure	**$22.826m**
Adjustment for capital expenditure allowance	$2.007m
Adjustment for costs funded by own-source revenue	($0.137m)
Adjustment for market supervision cost recovery	$0.219m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$24.915m**

Responsible entities

155 We will proactively identify and address harms to consumers, investors and markets in the managed investment scheme sector by undertaking risk-based surveillance, examining market change and practices, and issuing guidance to industry. We will use the full suite of our regulatory tools and take enforcement action where necessary.

156 We are also implementing regulatory arrangements to give effect to the Asia Region Funds Passport (ARFP) and are supporting the development of the corporate collective investment vehicle (CCIV) regime.

157 We will continue to support law reform and contribute to policy development and engage with and provide guidance and advice to industry.

158 Table 27 outlines our areas of focus in the responsible entities subsector in 2019–20.

Table 27: Focus areas in responsible entities subsector (2019–20)

Focus area	Description
Fund manager resilience	• Risk-based surveillance of schemes that may experience liquidity issues in a market downturn, with a focus on illiquid and unlisted funds. • Examining measures to improve funds' resilience.
Responsible entities' best interests duties	Communicating ASIC's expectations that responsible entities must comply with their fiduciary duty to a high standard, through industry liaison, education and surveillance.
Fees and costs disclosure in managed investments and superannuation	Issuing an updated RG 97 and associated instruments, and communicating with industry, financial advisers and consumers about the application of the fees and costs regime.
Time-sharing schemes	Revising Regulatory Guide 160 *Time-sharing schemes* (RG 160), and associated relief.
Competition in funds management	Assessing the level of competition in the funds management industry, and the appropriate regulatory response to improve the quality of competition.
Crowd-sourced equity funding	Ongoing stakeholder engagement to improve understanding of the crowd-sourced equity funding sector (e.g. through market surveys).
Asia Region Funds Passport	• Representing Australia on the ARFP Joint Committee, which is the governing body of the ARFP and responsible for its implementation. • Supporting initial applications, notifications and maintenance process for any new passport funds in Australia.
CCIV regime	Supporting and implementing law reform for the CCIV regime, including designing and developing supporting regulatory guides and forms.

Industry funding levy for responsible entities

159 Entities that hold an AFS licence authorising them to operate a registered scheme will fall within the responsible entities subsector.

160 All responsible entities in the subsector will pay a minimum levy of $7,000. Where the total value of assets in all registered schemes operated by a responsible entity at the end of the financial year exceeds $10 million, that entity will also have to pay a graduated levy amount. The graduated levy will equal the value of assets in all registered schemes operated by the entity as a proportion of the total value of assets in all registered schemes in the subsector that have a value above the $10 million threshold. To prevent double counting of assets, the total value of assets does not include any assets that are interests in another registered scheme operated by the responsible entity and, if the entity is also a wholesale trustee, any interest in an unregistered managed investment scheme issued by the entity.

161 The cost of regulating responsible entities in 2018–19 was $25.9 million. The budgeted costs for 2019–20 are set out in Table 28.

Table 28: Budgeted costs to regulate responsible entities

Expense	Cost
Surveillance	$2.318m
Enforcement	$13.016m
Financial capability	$0.994m
Other regulatory activities	
Industry engagement	*$0.161m*
Education	*$0.007m*
Guidance	*$0.371m*
Policy advice	*$0.174m*
Indirect costs	
Governance, central strategy and legal	*$2.522m*
IT support	*$2.463m*
Operations support	*$1.787m*
Property and corporate services	*$3.180m*
Total operating expenditure	**$26.991m**
Adjustment for capital expenditure allowance	$2.381m
Adjustment for costs funded by own-source revenue	($0.154m)

Expense	Cost
Adjustment for market supervision cost recovery	$0.219m
Adjustment for prior year (under or over recovery)	$0.133m
Total costs to be recovered by levy	**$29.572m**

Operators of notified foreign passport funds and regulated former notified funds

162 An entity is part of the operators of notified foreign passport funds and regulated former notified funds subsector if, at any time in the financial year, the entity is the operator of:

(a) a notified foreign passport fund; or

(b) a regulated former notified fund.

163 In 2019–20 we will continue implementing regulatory arrangements to give effect to the passport funds regime and will finalise registry processes for participating operators of Australian and foreign passport funds and their customers.

164 We will represent Australia on the ARFP Joint Committee—the governing body responsible for the ARFP implementation.

Industry funding levy for operators of notified foreign passport funds and regulated former notified funds

165 All entities in the subsector must pay a graduated levy, with a minimum levy of $1,000. The graduated levy is equal to the share of the value of Australian assets in all notified foreign passport funds operated by the entity as a proportion of the total value of Australian assets in all notified foreign passport funds in the subsector. To prevent double counting, the entity metric excludes assets that are an interest in another notified foreign passport fund and a regulated former notified fund operated by the entity. If the entity also falls within the wholesale trustee subsector, any assets that are interests in an unregistered managed investment scheme issued by the entity are also excluded. A similar entity metric applies to regulated former notified funds.

166 We have not received any applications and there is consequently no costs estimated for this subsector.

Wholesale trustees

167 Entities that hold an AFS licence authorising them to deal in a financial product by issuing interests in, or arranging for the issue of interests in, a managed investment scheme to wholesale clients will fall within the wholesale trustee subsector.

168 In 2019–20, we will continue to monitor and conduct proactive surveillance of AFS licensees' compliance with their licence conditions and any conduct that may result in harms to investors.

Industry funding levy for wholesale trustees

169 Wholesale trustees must pay a graduated levy. A wholesale trustee will pay a minimum levy of $1,000; the graduated component will depend on its share of the total value of assets in all unregistered schemes in the subsector at the end of the financial year. To avoid double counting, if the entity falls within multiple subsectors the value of assets will be adjusted to exclude assets that are an interest in another registered or unregistered managed investment scheme operated by the wholesale trustee or any assets that are an interest in a notified foreign passport fund or a regulated former notified fund issued by the entity.

170 The cost of regulating wholesale trustees in 2018–19 was $9.6 million. The budgeted costs for 2019–20 are set out in Table 29.

Table 29: Budgeted costs to regulate wholesale trustees

Expense	Cost
Surveillance	$0.184m
Enforcement	$6.527m
Financial capability	$0.078m
Other regulatory activities	
Industry engagement	*$0.013m*
Education	*$0.001m*
Guidance	*$0.029m*
Policy advice	*$0.015m*
Indirect costs	
Governance, central strategy and legal	*$0.863m*
IT support	*$0.781m*
Operations support	*$0.579m*
Property and corporate services	*$1.010m*
Total operating expenditure	**$10.080m**

Expense	Cost
Adjustment for capital expenditure allowance	$0.797m
Adjustment for costs funded by own-source revenue	($0.050m)
Adjustment for market supervision cost recovery	$0.219m
Adjustment for prior year (under or over recovery)	$0.284m
Total costs to be recovered by levy	**$11.330m**

Custodians

171 In 2019–20, we will continue to monitor and conduct proactive surveillance of AFS licensees' compliance with their licence conditions and any conduct that may result in harm to investors.

Industry funding levy for custodians

172 A flat levy applies to custodians, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector regulatory costs will be shared equally between all entities in the subsector. A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed any benefits of a graduated levy.

173 The cost of regulating custodians in 2018–19 was $0.9 million. The budgeted costs for 2019–20 are set out in Table 30.

Table 30: Budgeted costs to regulate custodians

Expense	Cost
Surveillance	$0.106m
Enforcement	$0.394m
Financial capability	$0.043m
Other regulatory activities	
Industry engagement	*$0.008m*
Education	*$0.00m*
Guidance	*$0.016m*
Policy advice	*$0.009m*

Expense	Cost
Indirect costs	
Governance, central strategy and legal	*$0.114m*
IT support	*$0.112m*
Operations support	*$0.084m*
Property and corporate services	*$0.158m*
Total operating expenditure	**$1.045m**
Adjustment for capital expenditure allowance	$0.098m
Adjustment for costs funded by own-source revenue	($0.007m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.020m
Total costs to be recovered by levy	**$1.156m**

IDPS operators

174 Entities that hold an AFS licence authorising them to operate an IDPS will fall within the IDPS operators subsector.

175 In 2019–20, we will monitor the IDPS operators subsector to identify and address harms or potential harms to consumers, investors and markets. This includes project work targeted at MDAs and platforms, described in paragraph 179.

Industry funding levy for IDPS operators

176 IDPS operators will pay a graduated levy based on each entity's share of the total amount of gross revenue from IDPS activity in the subsector for the financial year. All IDPS operators must also pay a minimum levy of $10,000.

177 The cost of regulating IDP operators in 2018–19 was $1.6 million. The budgeted costs for 2019–20 are set out in Table 31.

Table 31: Budgeted costs to regulate IDPS operators

Expense	Cost
Surveillance	$0.184m
Enforcement	$0.615m

Expense	Cost
Financial capability	$0.078m
Other regulatory activities	
Industry engagement	*$0.013m*
Education	*$0.001m*
Guidance	*$0.029m*
Policy advice	*$0.016m*
Indirect costs	
Governance, central strategy and legal	*$0.173m*
IT support	*$0.172m*
Operations support	*$0.128m*
Property and corporate services	*$0.237m*
Total operating expenditure	**$1.646m**
Adjustment for capital expenditure allowance	$0.155m
Adjustment for costs funded by own-source revenue	($0.011m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.010m
Total costs to be recovered by levy	**$1.800m**

MDA providers

178 An entity will fall within the MDA providers subsector if it holds an AFS licence authorising it to deal in a financial product by issuing financial products in respect of interests in managed investment schemes, limited to MDA services, or miscellaneous financial investment products, limited to MDA services.

179 In 2019–20, we will review the market practice of MDAs and platforms to identify issues affecting consumer outcomes—for example, transparency and conflicts of interest. We will gather information on the harms, risks, and regulation of platforms and MDAs, and consider necessary changes to the regulatory setting.

Industry funding levy for MDA providers

180 The flat levy will apply to MDA providers, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector

regulatory costs will be shared equally between all entities in the subsector. A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed the benefits of a graduated levy.

181 The cost of regulating MDA providers in 2018–19 was $1.4 million. The budgeted costs for 2019–20 are set out in Table 32.

Table 32: Budgeted costs to regulate MDA providers

Expense	Cost
Surveillance	$0.372m
Enforcement	$0.039m
Financial capability	$0.163m
Other regulatory activities	
Industry engagement	*$0.026m*
Education	*$0.001m*
Guidance	*$0.060m*
Policy advice	*$0.029m*
Indirect costs	
Governance, central strategy and legal	*$0.167m*
IT support	*$0.184m*
Operations support	*$0.132m*
Property and corporate services	*$0.244m*
Total operating expenditure	**$1.417m**
Adjustment for capital expenditure allowance	$0.162m
Adjustment for costs funded by own-source revenue	($0.011m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.042m
Total costs to be recovered by levy	**$1.610m**

Traditional trustee company service providers

182 In 2019–20, we will continue to monitor traditional trustee company service providers, including their compliance with obligations in Ch 5D of the Corporations Act. Where we identify a potential breach of the law or a potential harm, we will determine the most appropriate response.

Industry funding levy for traditional trustee company service providers

183 Entities that hold an AFS licence authorising them to provide traditional trustee company services will fall within the traditional trustee company service providers subsector.

184 The flat levy applies to traditional trustee company service providers, because a relatively small amount of our regulatory effort is expended on this subsector. The subsector's regulatory costs will be shared equally between all entities in the subsector. A graduated levy would impose additional administrative costs and increase the complexity of the model, which would exceed any benefits of a graduated levy.

185 The cost of regulating traditional trustee company service providers in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 33.

Table 33: Budgeted costs to regulate traditional trustee company service providers

Expense	Cost
Surveillance	$0.074m
Enforcement	$0.002m
Financial capability	$0.023m
Other regulatory activities	
Industry engagement	*$0.008m*
Education	*$0.001m*
Guidance	*$0.003m*
Policy advice	*$0.007m*
Indirect costs	
Governance, central strategy and legal	*$0.017m*
IT support	*$0.018m*
Operations support	*$0.013m*
Property and corporate services	*$0.024m*
Total operating expenditure	**$0.190m**

Expense	Cost
Adjustment for capital expenditure allowance	$0.015m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.204m**

CSF intermediaries

186 The *Corporations Amendment (Crowd-sourced Funding) Act 2017* introduced a legislative framework for crowd-sourced funding from 29 September 2017.

187 In 2019–20 we will continue initiatives to implement the CSF intermediaries framework including industry engagement, policy advice, supervision and increasing transparency about the industry through the publication of survey results for the subsector.

Industry funding levy for CSF intermediaries

188 There is currently no separate subsector for CSF intermediaries under the industry funding model. As a result, the regulatory costs for CSF intermediaries will be allocated proportionally across all subsectors: see Table 3.

Summary table of budgeted industry funding levies for the investment management, superannuation and related services sector

Table 34: Budgeted industry funding levies for the investment management, superannuation and related services sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Superannuation trustees	$24.915m	127	**Adjusted total assets** The total value of assets in all registrable superannuation entities operated by the entity at the end of financial year, except any assets that are an interest in another registrable superannuation entity operated by the entity and any other assets that are employer sponsored receivables.	$18,000	$250m	$18,000 plus $13.37 per $1m of total assets above $250m
Responsible entities	$29.572m	464	**Adjusted total assets** The total value of assets in all registered schemes operated by the entity at the end of financial year, except any assets that are an interest in another registered scheme operated by the entity and, if the entity is also a wholesale trustee, any interest in an unregistered scheme issued by the entity.	$7,000	$10m	$7,000 plus $19.65 per $1m of total assets above $10m
Wholesale trustees	$11.330m	1,685	**Adjusted total assets** The total value of assets in all unregistered schemes at the end of the financial year, except any assets that are an interest in another registered or unregistered scheme operated by the wholesale trustee or any assets that are an interest in a notified foreign passport fund issued by the entity if the entity forms part of the operators of a notified foreign passport funds subsector.	$1,000	N/A	$1,000 plus $13.37 per $1m of total assets

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Operators of notified foreign passport funds	Nil	0	**Australian assets** Total value of Australian assets in all notifiable foreign passport funds/regulated former notified funds operated by the entity, except any assets that are an interest in another notified foreign passport fund or regulated former notified fund operated by the entity and, if the entity forms part of the wholesale trustees subsector, any assets that are an interest in an unregistered managed investment scheme issued by the entity.	$1,000	N/A	N/A
Custodians	$1.156m	1,093	Flat levy	N/A	N/A	$1,057
IDPS operators	$1.800m	93	**Revenue from IDPS activity** The levy metric will be the sum of: • the amount of gross revenue received from IDPS activities undertaken under the entity's licence in the financial year; and • unless covered under the previous point, any amount paid or payable in the financial year from the IDPS for the performance of obligations imposed on the IDPS operator (even if those obligations are performed by another entity).	$10,000	No threshold	$10,000 plus $12.56 per $10,000 of revenue
MDA providers	$1.610m	225.72*	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$7,133
Traditional trustee company service providers	$0.204m	13	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$15,674

* Note: To calculate the indicative levy for the MDS providers subsector, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (see paragraph 66).

G Market infrastructure and intermediaries sector

Key points

This section details our budgeted costs and the work we will do during 2019–20 in regulating the market infrastructure and intermediaries sector. It also goes into more detail about the methodologies we use to calculate the levy that applies to:

- Australian market licensees (see paragraphs 197–224 and Table 35–Table 42);
- CS facility operators (see paragraphs 225–240, Table 35, Table 44–Table 48);
- Australian derivative trade repository operators (see paragraphs 241–245, Table 35 and Table 49);
- exempt market operators (see paragraphs 246–250, Table 35 and Table 50);
- credit rating agencies (see paragraphs 251–255, Table 35 and Table 51);
- benchmark administrator licensees (see paragraphs 256–258, Table 35 and Table 52);
- market participants (see paragraphs 263–270 and Table 53–Table 55);
- securities dealers (see paragraphs 271–274, Table 53 and Table 56);
- corporate advisers and OTC traders (see paragraphs 275–282, Table 53, and Table 57–Table 58);
- retail OTC derivatives issuers (see paragraphs 283–288, Table 53 and Table 59); and
- wholesale electricity dealers (see paragraphs 289–294, Table 53 and Table 60).

Table 61 and Table 62 set out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the market infrastructure and intermediaries sector

189 The market infrastructure and intermediaries sector consists of market infrastructure providers and market intermediaries.

190 In this section, Table 36–Table 52 and Table 54–Table 60 depict our forecast regulatory costs for each subsector. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Market infrastructure providers

191 Market infrastructure providers are entities that are market licensees, CS facility operators, Australian derivative trade repository licensees, credit rating agencies, and entities that otherwise hold an exemption from the requirement to hold a licence (exempt market operators).

192 Our supervision of market infrastructure providers is critical to the operation of Australia's capital markets. Our role is to oversee these providers' compliance with their obligations under the financial services laws, to help ensure good consumer and investor outcomes and maintain trust and integrity in Australia's financial markets.

193 As part of our role, we undertake routine reviews, including onsite reviews, of the performance and compliance of market infrastructure providers, which includes real-time frontline supervision of trading on licensed domestic markets, periodic assessments, strategic market-wide and individual entity reviews, ongoing engagement, and periodic remediation. Through this we seek to efficiently and effectively identify harms, provide faster feedback and guidance to providers, and take further regulatory action where needed.

194 Our work also focuses on ensuring that disruptive innovation benefits issuers and end investors, and that technological developments support investor trust and good consumer and investor outcomes.

195 Our role further includes providing strategic advice to the Australian Government on market infrastructure reform proposals and providing regulatory guidance to industry, including guidance on standards.

196 Table 35 sets out our areas of focus in 2019–20.

Table 35: Focus areas in market infrastructure providers sector (2019–20)

Focus area	Description
Surveillance strategy and market data analytics	Developing a five-year strategy to implement a holistic future state surveillance model that includes data analytics coverage across markets.
Improve governance, accountability and compliance	• Assessing compliance and broader non-financial risk management models across market operators, and considering key attributes of an effective model. • As part of this work, we are expanding our oversight in wholesale over-the-counter markets to complement our approach to supervision in securities and futures markets. This includes onsite reviews of culture and conduct programs and training, corporate governance and compliance arrangements.
Supervision of market operators	Implementing new supervisory framework for professional market operators.
Real-time and post-trade surveillance of exchange traded markets	• Analysing real-time and post-trade data on exchange trading equity and futures markets to identify and respond to potential conduct issues. • Real-time engagement with market operators and intermediaries on company announcements and anomalous trading.

Focus area	Description
Non-event driven analytics	Enhancing our focus and capability on non-event driven analytics (e.g. identifying trading patterns and networks, cross-market order book manipulations, and suspicious recidivist trading patterns).
CHESS replacement system	Supervising ASX's implementation of a new platform to replace the existing CHESS cash equities CS system, including providing advice on operating rule changes and any other decisions required under the regulatory framework.
Risky OTC derivatives	• Examining the Australian market including the implications of the inflow of activity from other jurisdictions. Publishing a report on key metrics and developments in the sector. • Onsite surveillance of product issuers, focusing on cold calling and pressure selling, unlicensed conduct and misleading or deceptive conduct. • Identifying key harms and working with the Australian Financial Complaints Authority (AFCA) to process referrals more efficiently.
Technology, cyber security and operational risk governance	• Identifying technology, security and operational failures in the Australian market that result in harm and exposure to fraud or systemic failures. • Publishing a feedback report following consultation.
Crypto-assets and emerging digital threats	• Surveillance of high-risk crypto-asset activities and monitoring of emerging digital threats. • Deterring scams involving crypto-assets targeting retail investors, and punishing misconduct. Supporting legitimate crypto-asset businesses to understand laws and regulations. • Working with international regulators to promote policy harmonisation.
Financial market infrastructures resolution	Working with the RBA to support and implement the financial market infrastructure resolution regime.
Monitoring of clearing and settlement	Reviewing potential operation of overseas CS facilities in Australia and engaging with them on licensing arrangements.
Listed market structure	• Examining current market structure and policy position on market making in a competitive environment. • Issuing a public report on the changes and impacts of dark liquidity. • Assessing data feed and latency of access.
Share sale fraud	Publishing a report on share sale fraud, including off-market transfers, to highlight the risks to investors and how these could be mitigated by technology, and operational risk and cyber security standards for listed corporations and share registries.
Market integrity rule simplification	• Identifying enhancements to the market integrity rules and implementing those of high priority. • Publishing a consultation paper proposing new and modified rules.
Thematic assessment of activist short selling	• Assessing the implication for our markets and listed companies when activist investors take short positions in our market, and seeking to understand what is driving the behaviour. • Engaging with foreign peer regulators on their experience and approach.

Australian market licensees

197 For domestic market licensees, our activities include real-time frontline supervision of trading, market assessments, strategic market reviews, ongoing engagement, and periodic remediation reviews.

198 For foreign market licensees, our work includes reviewing annual reports, monitoring changes in market structure, monitoring regulatory developments and undertaking periodic engagement with regulators in the licensee's home jurisdiction to ensure equivalence of regulatory outcomes, and to share advice and guidance on licensing and the scope of the licensee's activities.

199 In 2019–20, we will continue to identify potential harms and supervise compliance, including licensees' management of conflicts of interest and financial risk.

200 We will also work to transition financial market platforms (that were exempt from holding an Australian market licence) into the new market licensing and regulation framework, including issuing new licences.

Industry funding levy for large securities exchange operators

201 An entity that operates a market where 10 million or more transactions in securities are entered on the market in the financial year will fall within the large securities exchange operators subsector.

202 Our regulatory costs for the subsector will be shared between entities based on the value of all transactions (corrected for cancellations) that are entered into or reported to exchanges operated by the entity as a proportion of the total value of all transactions that are entered into or reported to all exchanges within the subsector.

203 The cost of regulating large securities exchange operators in 2018–19 was $4.5 million. The budgeted costs for 2019–20 are set out in Table 36.

Table 36: Budgeted costs to regulate large securities exchange operators

Expense	Cost
Surveillance	$0.798m
Enforcement	$1.351m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.123m*
Education	*$0.004m*
Guidance	*$0.039m*
Policy advice	*$0.105m*

Expense	Cost
Indirect costs	
Governance, central strategy and legal	*$0.515m*
IT support	*$0.473m*
Operations support	*$0.309m*
Property and corporate services	*$0.590m*
Total operating expenditure	**$4.309m**
Adjustment for capital expenditure allowance	$0.417m
Adjustment for costs funded by own-source revenue	($0.027m)
Adjustment for market supervision cost recovery	$0.219m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$4.918m**

Industry funding levy for large futures exchange operators

204 An entity that operates a market where 10 million or more futures transactions are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market or a large securities exchange.

205 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

206 The cost of regulating large futures exchange operators in 2018–19 was $1.3 million. The budgeted costs for 2019–20 are set out in Table 37.

Table 37: Budgeted costs to regulate large futures exchange operators

Expense	Cost
Surveillance	$0.431m
Enforcement	$0.041m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.063m*
Education	*$0.002m*
Guidance	*$0.019m*
Policy advice	*$0.065m*

Expense	Cost
Indirect costs	
Governance, central strategy and legal	*$0.190m*
IT support	*$0.156m*
Operations support	*$0.104m*
Property and corporate services	*$0.195m*
Total operating expenditure	**$1.266m**
Adjustment for capital expenditure allowance	$0.148m
Adjustment for costs funded by own-source revenue	($0.009m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$1.405m**

Industry funding levy for small futures exchange operators

207 An entity that operates a market where less than 10 million transactions in futures contracts are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market, a small securities (self-listing) exchange or a small securities exchange.

208 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

209 The cost of regulating small futures exchange operators in 2018–19 was $0.4 million. The budgeted costs for 2019–20 are set out in Table 38.

Table 38: Budgeted costs to regulate small futures exchange operators

Expense	Cost
Surveillance	$0.094m
Enforcement	$0.004m
Financial capability	$0.00m

Expense	Cost
Other regulatory activities	
Industry engagement	*$0.010m*
Education	*$0.00m*
Guidance	*$0.002m*
Policy advice	*$0.016m*
Indirect costs	
Governance, central strategy and legal	*$0.043m*
IT support	*$0.035m*
Operations support	*$0.024m*
Property and corporate services	*$0.045m*
Total operating expenditure	**$0.274m**
Adjustment for capital expenditure allowance	$0.034m
Adjustment for costs funded by own-source revenue	($0.002m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.423m
Total costs to be recovered by levy	**$0.729m**

Industry funding levy for small securities exchange operators

210 An entity that operates a market where less than 10 million transactions in securities are entered into on the market in the financial year will fall within this subsector. However, an entity will not fall within this subsector if the market being operated is an overseas market or a small securities (self-listing) exchange.

211 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market.

212 The cost of regulating small securities exchange operators in 2018–19 was $0.7 million. The budgeted costs for 2019–20 are set out in Table 39.

Table 39: Budgeted costs to regulate small securities exchange operators

Expense	Cost
Surveillance	$0.228m
Enforcement	$0.009m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.026m*
Education	*$0.001m*
Guidance	*$0.007m*
Policy advice	*$0.037m*
Indirect costs	
Governance, central strategy and legal	*$0.104m*
IT support	*$0.088m*
Operations support	*$0.057m*
Property and corporate services	*$0.110m*
Total operating expenditure	**$0.668m**
Adjustment for capital expenditure allowance	$0.081m
Adjustment for costs funded by own-source revenue	($0.005m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.744m**

Industry funding levy for small securities exchange operators with self-listing function only

213 An entity that operates a market during a financial year where only ordinary shares of the entity can be traded will fall within this subsector. However, an entity will not fall within this subsector if the market is an overseas market or 10 million or more transactions are entered into on the market in the financial year.

214 Our regulatory costs for the subsector will be shared between entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

215 The cost of regulating small securities exchange operators with self-listing function only in 2018–19 was $0.02 million. The budgeted costs for 2019–20 are set out in Table 40.

Table 40: Budgeted costs to regulate small securities exchange operators with self-listing function only

Expense	Cost
Surveillance	$0.007m
Enforcement	$0.00m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.001m*
Education	*$0.00m*
Guidance	*$0.00m*
Policy advice	*$0.001m*
Indirect costs	
Governance, central strategy and legal	*$0.003m*
IT support	*$0.003m*
Operations support	*$0.002m*
Property and corporate services	*$0.003m*
Total operating expenditure	**$0.021m**
Adjustment for capital expenditure allowance	$0.002m
Adjustment for costs funded by own-source revenue	($0.00m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.023m**

Industry funding levy for new specialised market operators

216 An entity will fall within this subsector if it is operating a new market that has not been previously operated in Australia or overseas, and the entity has never previously held an Australian market licence. An entity will fall within this subsector for two years after it is licensed to operate a specialised market under s795B(1) of the Corporations Act.

217 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

218 The cost of regulating new specialised market operators in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 41.

Table 41: Budgeted costs to regulate new specialised market operators

Expense	Cost
Surveillance	$0.044m
Enforcement	$0.002m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.005m*
Education	*$0.00m*
Guidance	*$0.001m*
Policy advice	*$0.008m*
Indirect costs	
Governance, central strategy and legal	*$0.020m*
IT support	*$0.017m*
Operations support	*$0.011m*
Property and corporate services	*$0.021m*
Total operating expenditure	**$0.129m**
Adjustment for capital expenditure allowance	$0.016m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.144m**

Industry funding levy for established specialised market operators

219 An entity will fall within this subsector if it is the operator of a specialised market and it either:

(a) operates a market in Australia that has been previously operated by it or another entity in Australia or overseas;

(b) operates a new type of market that has never been previously operated in Australia or overseas, but the entity holds or previously held an Australian market licence; or

(c) has already operated a new market that has never been previously operated in Australia or overseas for more than two years.

220 Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each market that falls within the subsector.

221 The cost of regulating established specialised market operators in 2018–19 was $0.6 million. The budgeted costs for 2019–20 are set out in Table 42.

Table 42: Budgeted costs to regulate established specialised market operators

Expense	Cost
Surveillance	$0.216m
Enforcement	$0.009m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.023m*
Education	*$0.001m*
Guidance	*$0.006m*
Policy advice	*$0.037m*
Indirect costs	
Governance, central strategy and legal	*$0.099m*
IT support	*$0.081m*
Operations support	*$0.054m*
Property and corporate services	*$0.102m*
Total operating expenditure	**$0.628m**
Adjustment for capital expenditure allowance	$0.078m
Adjustment for costs funded by own-source revenue	($0.005m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.701m**

Industry funding levy for overseas market operators

222 Entities that operate an overseas market that are licensed under s795B(2) of the Corporations Act will fall within the overseas market operators subsector.

223 Our regulatory costs for this subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each overseas market that falls within the subsector.

224 The cost of regulating overseas market operators in 2018–19 was $0.8 million. The budgeted costs for 2019–20 are set out in Table 43.

Table 43: Budgeted costs to regulate overseas market operators

Expense	Cost
Surveillance	$0.286m
Enforcement	$0.012m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.052m*
Education	*$0.002m*
Guidance	*$0.018m*
Policy advice	*$0.036m*
Indirect costs	
Governance, central strategy and legal	*$0.118m*
IT support	*$0.101m*
Operations support	*$0.065m*
Property and corporate services	*$0.124m*
Total operating expenditure	**$0.813m**
Adjustment for capital expenditure allowance	$0.091m
Adjustment for costs funded by own-source revenue	($0.006m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.899m**

CS facility operators

225 Our work for CS facility operators includes assessing facilities against statutory obligations, reviewing the annual reports of overseas licensees, developing policy and participating in policy reform, providing guidance and advice for licensees, and ensuring jurisdictional compliance with international standards.

226 In 2019–20, we will monitor ASX's implementation of new infrastructure to replace its existing CHESS cash equities clearing and settlement system. We will monitor ASX's management of the change program and take action if required.

227 We will continue to process regulatory authorisations in a timely and efficient manner, and monitor any emergence of competition in clearing and settlement. We will review the potential operation of overseas CS facilities in Australia and engage with them on licensing arrangements. We will further assess the impact of Brexit on the access to Australian CS facilities operating in the United Kingdom.

Industry funding levies for CS facility operators

228 There are five subsectors for CS facility operators, depending on whether:

(a) the CS facility(ies) they operate fall into one of four tiers; or

(b) the entity is exempt from holding a CS facility licence.

229 Determining which of the four tiers a CS facility falls within is based on the systemic importance and the strength of the domestic connection of the facility. Entities should consider the matters set out in s827A of the Corporations Act when determining whether their CS facility is systemically important and the strength of the domestic connection to Australia. Additionally, the Council of Financial Regulators' *Application of the regulatory influence framework for cross-border central counterparties* (published March 2014) sets out requirements for the different tiers of CS facilities.

230 The flat levy formula will apply to Tiers 1–4 CS facility operators and exempt CS facility operators. Our regulatory costs for each of these subsectors will be shared between all entities in the subsector in proportion to the number of days each entity operates each CS facility that falls within the tier or is exempt.

Tier 1 CS facility operators

231 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is systemically important in Australia and has a strong connection to the Australian financial system.

232 The cost of regulating Tier 1 CS facility operators in 2018–19 was $1.9 million. The budgeted costs for 2019–20 are set out in Table 44.

Table 44: Budgeted costs to regulate Tier 1 CS facility operators

Expense	Cost
Surveillance	$0.716m
Enforcement	$0.033m
Financial capability	$0.027m
Other regulatory activities	
Industry engagement	*$0.071m*
Education	*$0.005m*
Guidance	*$0.029m*
Policy advice	*$0.117m*
Indirect costs	
Governance, central strategy and legal	*$0.315m*
IT support	*$0.253m*
Operations support	*$0.171m*
Property and corporate services	*$0.324m*
Total operating expenditure	**$2.061m**
Adjustment for capital expenditure allowance	$0.252m
Adjustment for costs funded by own-source revenue	($0.015m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$2.297m**

Tier 2 CS facility operators

233 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is systemically important in Australia but does not have a strong domestic connection to the Australian financial system.

234 The cost of regulating Tier 2 CS facility operators in 2018–19 was $0.2 million. The budgeted costs for 2019–20 are set out in Table 45.

Table 45: Budgeted costs to regulate Tier 2 CS facility operators

Expense	Cost
Surveillance	$0.071m
Enforcement	$0.003m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.008m*
Education	*$0.00m*
Guidance	*$0.002m*
Policy advice	*$0.012m*
Indirect costs	
Governance, central strategy and legal	*$0.033m*
IT support	*$0.026m*
Operations support	*$0.018m*
Property and corporate services	*$0.034m*
Total operating expenditure	**$0.206m**
Adjustment for capital expenditure allowance	$0.025m
Adjustment for costs funded by own-source revenue	($0.002m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.230m**

Tier 3 CS facility operators

235 An entity will fall within this subsector if it holds a licence that was granted for a CS facility that is not systemically important in Australia and does not have a strong domestic connection to the Australian financial system.

236 The cost of regulating Tier 3 CS facility operators in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 46.

Table 46: Budgeted costs to regulate Tier 3 CS facility operators

Expense	Cost
Surveillance	$0.032m
Enforcement	$0.001m

Expense	Cost
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.003m*
Education	*$0.00m*
Guidance	*$0.001m*
Policy advice	*$0.006m*
Indirect costs	
Governance, central strategy and legal	*$0.015m*
IT support	*$0.012m*
Operations support	*$0.008m*
Property and corporate services	*$0.015m*
Total operating expenditure	**$0.094m**
Adjustment for capital expenditure allowance	$0.012m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.104m**

Tier 4 CS facility operators

237 An entity will fall within this subsector if it holds a licence that only authorises the entity to operate a CS facility for the sole purpose of clearing and settling trades in the entity's own shares.

238 The cost of regulating Tier 4 CS facility operators in 2018–19 was $0.02 million. The budgeted costs for 2019–20 are set out in Table 47.

Table 47: Budgeted costs to regulate Tier 4 CS facility operators

Expense	Cost
Surveillance	$0.005m
Enforcement	$0.00m
Financial capability	$0.00m

Expense	Cost
Other regulatory activities	
Industry engagement	*$0.001m*
Education	*$0.00m*
Guidance	*$0.00m*
Policy advice	*$0.001m*
Indirect costs	
Governance, central strategy and legal	*$0.003m*
IT support	*$0.002m*
Operations support	*$0.001m*
Property and corporate services	*$0.003m*
Total operating expenditure	**$0.016m**
Adjustment for capital expenditure allowance	$0.002m
Adjustment for costs funded by own-source revenue	($0.00m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.018m**

Exempt CS facility operators

239 An entity that operates a market during a financial year that is exempt from the operation of Pt 7.3 of the Corporations Act will fall within this subsector.

240 The cost of regulating exempt CS facility operators in 2018–19 was $0.03 million. The budgeted costs for 2019–20 are set out in Table 48.

Table 48: Budgeted costs to regulate exempt CS facility operators

Expense	Cost
Surveillance	$0.010m
Enforcement	$0.00m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.001m*
Education	*$0.00m*
Guidance	*$0.00m*
Policy advice	*$0.002m*

Expense	Cost
Indirect costs	
Governance, central strategy and legal	*$0.005m*
IT support	*$0.004m*
Operations support	*$0.003m*
Property and corporate services	*$0.005m*
Total operating expenditure	**$0.029m**
Adjustment for capital expenditure allowance	$0.004m
Adjustment for costs funded by own-source revenue	$0.00m
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.032m**

Australian derivative trade repository operators

241 In 2019–20 we will continue to monitor OTC derivative trade repository operators to support the integrity of OTC trade data reported to ASIC and other financial regulators. The trade repository data reporting requirements improve the transparency of information in OTC transactions. This better enables ASIC to identify harms and potential harms caused by OTC traders.

242 For Australian derivative trade repository operators, our work includes supervision and surveillance of data integrity and compliance with the ASIC Derivative Trade Repository Rules 2013, assessment of each entity's annual compliance report, guidance on applicable rules, and oversight of breach reporting, remediation and related enforcement activity.

Industry funding levy for Australian derivative trade repository operators

243 An entity falls within the Australian derivative trade repository operators subsector if the entity operates a licensed derivative trade repository.

244 Entities that fall within this subsector must pay a levy based on the flat levy formula, because our regulatory activity and effort is relatively similar for each regulated trade repository. Our regulatory costs for the subsector will be shared between all entities in the subsector in proportion to the number of days each entity operates each repository that falls within the subsector.

245 The cost of regulating Australian derivative trade repository operators in 2018–19 was $0.5 million. The budgeted costs for 2019–20 are set out in Table 49.

Table 49: Budgeted costs to regulate Australian derivative trade repository operators

Expense	Cost
Surveillance	$0.170m
Enforcement	$0.007m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.029m*
Education	*$0.001m*
Guidance	*$0.010m*
Policy advice	*$0.023m*
Indirect costs	
Governance, central strategy and legal	*$0.071m*
IT support	*$0.059m*
Operations support	*$0.039m*
Property and corporate services	*$0.073m*
Total operating expenditure	**$0.483m**
Adjustment for capital expenditure allowance	$0.056m
Adjustment for costs funded by own-source revenue	($0.003m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.535m**

Exempt market operators

246 There are currently two types of exempt market operators: entities that are exempt from holding a market licence and entities that are exempt from holding a CS facility licence (exempt CS facility operators: see Table 48).

247 Our work for exempt market operators includes:

(a) reviewing trading volumes;

(b) monitoring changes in market structure, where relevant;

(c) monitoring regulatory developments in their home jurisdiction to ensure equivalence of regulatory outcomes;

(d) advice and guidance on the scope of activities;

(e) reviewing periodic reports; and

(f) compliance with conditions of authorisation.

Industry funding levy for exempt market operators

248 An entity that operates a market that is exempt from the operation of Pt 7.2 of the Corporations Act will fall within this subsector, unless the market was exempt because of an exemption granted to a class of financial market under s791C of the Corporations Act.

249 Entities that fall within the exempt market operators subsector must pay a levy calculated under the flat levy formula. Our regulatory costs will be shared between all entities in the subsector in proportion to the number of days each entity operates each exempt market that falls within the subsector.

250 The cost of regulating exempt market operators in 2018–19 was $0.5 million. The budgeted costs for 2019–20 are set out in Table 50.

Table 50: Budgeted costs to regulate exempt market operators

Expense	Cost
Surveillance	$0.137m
Enforcement	$0.005m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.014m*
Education	*$0.001m*
Guidance	*$0.003m*
Policy advice	*$0.023m*
Indirect costs	
Governance, central strategy and legal	*$0.063m*
IT support	*$0.055m*
Operations support	*$0.035m*
Property and corporate services	*$0.068m*
Total operating expenditure	**$0.404m**
Adjustment for capital expenditure allowance	$0.049m

Expense	Cost
Adjustment for costs funded by own-source revenue	($0.003m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.450m**

Credit rating agencies

251 All credit rating agencies operating in Australia must hold an AFS licence. Under the conditions of this licence, credit rating agencies must provide a report to ASIC each financial year that sets out their compliance with the International Organization of Securities Commission's (IOSCO's) *Code of Conduct Fundamentals for Credit Rating Agencies* (PDF 918 KB), their arrangements to monitor and update credit ratings, and how they are meeting their training requirements for representatives.

252 In 2019–20, we will conduct supervision and surveillance of credit rating agencies. We will monitor credit rating agencies' compliance with their AFS licence conditions, including their implementation of the recommendations in Report 566 *Surveillance of credit rating agencies* (REP 566). In 2019–20 we will also work to align Australia's standards for credit rating agencies with international standards, including to obtain equivalence with standards in the European Union.

Industry funding levy for credit rating agencies

253 An entity that holds an AFS licence that authorises it to provide general advice by issuing a credit rating will fall within this subsector.

254 Entities that fall within this subsector must pay a levy calculated in accordance with the graduated levy formula. All entities that fall within the subsector will pay a minimum levy of $2,000. Entities within the subsector that have a supervisory college will also pay a variable component based on the number of days the entity held the relevant AFS licence authorisation and for which there was a supervisory college for the entity.

255 The cost of regulating credit rating agencies in 2018–19 was $0.2 million. The budgeted costs for 2019–20 are set out in Table 51.

Table 51: Budgeted costs to regulate credit rating agencies

Expense	Cost
Surveillance	$0.057m
Enforcement	$0.002m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.006m*
Education	*$0.00m*
Guidance	*$0.002m*
Policy advice	*$0.010m*
Indirect costs	
Governance, central strategy and legal	*$0.027m*
IT support	*$0.021m*
Operations support	*$0.014m*
Property and corporate services	*$0.027m*
Total operating expenditure	**$0.167m**
Adjustment for capital expenditure allowance	$0.021m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.187m**

Benchmark administrator licensees

256 In 2019–20 we will continue to oversee the implementation of new reforms to establish a comprehensive regulatory regime for financial benchmarks in Australia, including licensing key Australian benchmark administrators.

Industry funding levy for benchmark administrator licensees

257 Entities that hold a licence to administer a financial benchmark will fall within the benchmark administrator licensees subsector. Each entity will pay a flat levy. Our regulatory costs for the subsector will be shared in proportion to the number of days each entity administers each financial benchmark it is licensed to administer.

258 The cost of regulating benchmark administrator licensees in 2018–19 was $0.6 million. The budgeted costs for 2019–20 are set out in Table 52.

Table 52: Budgeted costs to regulate benchmark administrator licensees

Expense	Cost
Surveillance	$0.197m
Enforcement	$0.008m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.049m*
Education	*$0.001m*
Guidance	*$0.018m*
Policy advice	*$0.018m*
Indirect costs	
Governance, central strategy and legal	*$0.073m*
IT support	*$0.062m*
Operations support	*$0.040m*
Property and corporate services	*$0.074m*
Total operating expenditure	**$0.541m**
Adjustment for capital expenditure allowance	$0.057m
Adjustment for costs funded by own-source revenue	($0.004m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$0.594m**

Market intermediaries

259 Market participants, securities dealers and other market intermediaries have a recognised role as ‘gatekeepers’ in the Australian regulatory regime and engage in trading behaviour that creates demand for market supervision. To maintain trust and integrity in financial markets, we supervise market intermediaries’ compliance with the Corporations Act and ASIC market integrity rules, and ensure intermediaries are meeting their AFS licence conditions.

260 In 2019–20, our work is focused on effectively and efficiently identifying harm and fostering constructive and timely behavioural change. We will take

regulatory and enforcement action where appropriate, including the use of our new product intervention power.

261 We are focused on both proactive and reactive surveillance and supervision of market intermediaries. Our engagement with this sector includes onsite reviews and meetings with staff and key decision makers to gain a deeper understanding of the governance arrangements and internal systems that can help prevent poor conduct.

262 Table 53 outlines our areas of focus in the market intermediaries sector in 2019–20.

Table 53: Focus areas in market intermediaries sector (2019–20)

Focus area	Description
Surveillance strategy and market data analytics	Developing a five-year strategy to implement a holistic future state surveillance model that includes data analytics coverage across markets.
Proactive and reactive supervision	• Proactive surveillance of intermediary groups through compliance liaison meetings and reviews. • Reactive supervision through assessment of potential breaches and compliance reviews. • Analysing resilience and capital adequacy of intermediaries, and mitigating risks where appropriate.
Improve governance, accountability and compliance	• Assessing compliance and broader non-financial risk management models across market and considering key attributes of an effective model. • Expanding our oversight in wholesale OTC markets to complement our approach to supervision in securities and futures markets. This includes onsite reviews of culture and conduct programs, corporate governance and compliance arrangements.
High-risk and complex market intermediaries	Implementing enhanced supervision plans to address key themes, including culture and conduct, breach reporting, governance and compliance frameworks, safeguarding client money, systems and controls, and technology and operational risk management. This work includes onsite reviews aimed at detecting harm early, providing faster feedback to intermediaries and industry, and taking further regulatory action when needed.
Fixed income, currencies and commodities (FICC) markets	• Surveillance of FICC markets that may cause harms to the real economy and consumers, including reviewing large transactions, monitoring the determination of the new Australian bank bill swap rate (BBSW), analysing OTC transaction data, and conducting onsite reviews. • Publishing two reports to outline findings and provide key messages on foreign exchange (FX) markets and debt capital raising, and publishing the findings of an onsite review of a market operator.

Focus area	Description
Risky OTC derivatives	• Onsite surveillance of product issuers, focusing on those targeting vulnerable retail investors. • Firm-specific and sector-wide reviews based on key identified harms. • Determining how we may use our product intervention power to intervene on harmful products (e.g. consulting on the use of the power to ban issue and distribution of OTC binary options to retail investors, and to impose conditions on the issue and distribution of OTC contracts for difference to retail clients).
Intermediary resilience and capital adequacy	Seeking to identify intermediaries at risk of collapse and developing early intervention strategies to enhance the protection of client assets.
Equity capital raisings and sell-side research surveillance	Monitoring equity capital raisings to determine how conflicts of interest are being managed.
Safeguarding client money	• Reviewing industry practices and providing guidance to industry. • Sample-testing compliance with client money rules and conducting surveillance.
Improve suspicious activity reporting	• Reviewing intermediaries' arrangements for classifying suspicious activity and reporting to ASIC and AUSTRAC. • Developing options for expanding reporting obligations for futures market participants.
Technology, cyber security and operational risk governance	• Addressing technology, security and operational failures (e.g. implementing a framework for assessing the technological and operational resilience of market intermediaries in listed and OTC markets, and reviewing the risk controls of market intermediaries through enhanced supervisory engagement). • Publishing a feedback report following consultation.
Crypto-assets and emerging digital threats	• Surveillance of high-risk crypto-asset activities and monitoring of emerging digital threats. • Deterring scams involving crypto-assets targeting retail investors, and punishing misconduct. Supporting legitimate crypto-asset businesses to understand laws and regulations. • Working with international regulators to promote policy harmonisation.
Market integrity rule amendments	• Identifying enhancements to the market integrity rules and implementing those of high priority. • Publishing a consultation paper proposing new and modified rules.

Market participants

263 In 2019–20, we will identify harms or potential harms to investors, consumers and markets in the market participants subsectors and take appropriate regulatory and enforcement action where necessary.

264 The costs related to regulating market participants are split between large securities exchange participants and large futures exchange participants.

Industry funding levy for large securities exchange participants

265 An entity will fall within this subsector if the entity is a participant in a large securities exchange during the financial year.

266 Participants are charged a minimum levy of $9,000, plus a graduated levy based on each entity's share of the total number of messages sent and transactions entered or reported to a large securities exchange that are recognised by our markets surveillance system.

267 The cost of regulating large securities exchange participants in 2018–19 was $16.2 million. The budgeted costs for 2019–20 are set out in Table 54.

Table 54: Budgeted costs to regulate large securities exchange participants

Expense	Cost
Surveillance	$4.225m
Enforcement	$2.110m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$1.614m*
Education	*$0.035m*
Guidance	*$0.643m*
Policy advice	*$0.152m*
Indirect costs	
Governance, central strategy and legal	*$1.610m*
IT support	*$1.064m*
Operations support	*$0.856m*
Property and corporate services	*$1.579m*
Total operating expenditure	**$13.888m**
Adjustment for capital expenditure allowance	$1.216m
Adjustment for costs funded by own-source revenue	($0.072m)
Adjustment for market supervision cost recovery	$1.895m
Adjustment for prior year (under or over recovery)	$0.020m
Total costs to be recovered by levy	**$16.947m**

Industry funding levy for large futures exchange participants

268 An entity will fall within this subsector if the entity is a participant in a large futures exchange.

269 All entities in this subsector will pay a $9,000 minimum levy, plus a graduated levy depending on each entity's share of the total number of messages sent and lots entered or reported to a large futures exchange that are recognised by our markets surveillance system.

270 The cost of regulating large futures exchange participants in 2018–19 was $2.2 million. The budgeted costs for 2019–20 are set out in Table 55.

Table 55: Budgeted costs to regulate large futures exchange participants

Expense	Cost
Surveillance	$0.641m
Enforcement	$0.050m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.226m*
Education	*$0.005m*
Guidance	*$0.091m*
Policy advice	*$0.023m*
Indirect costs	
Governance, central strategy and legal	*$0.206m*
IT support	*$0.150m*
Operations support	*$0.105m*
Property and corporate services	*$0.195m*
Total operating expenditure	**$1.693m**
Adjustment for capital expenditure allowance	$0.152m
Adjustment for costs funded by own-source revenue	($0.009m)
Adjustment for market supervision cost recovery	$0.211m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$2.046m**

Securities dealers

271 In 2019–20, we will monitor the harms and potential harms in the securities dealers subsector and take action, including enforcement action, where appropriate.

Industry funding levy for securities dealers

272 An entity will fall within this subsector if it:

(a) holds an AFS licence that authorises it to deal in securities at any time during the financial year;

(b) is not a participant in a large futures exchange or a large securities exchange; and

(c) more than $250,000 in transactions for the entity has been executed on, or reported to a large securities exchange in the financial year.

273 Entities that fall within this subsector will pay a graduated levy based on the annual transaction value attributable to each securities dealer, compared to the total annual transaction value of all securities dealers. A minimum levy of $1,000 applies to all securities dealers. The graduated levy imposes no additional reporting burden on securities dealers, as we calculate it using data from our market surveillance system.

274 The cost of regulating securities dealers in 2018–19 was $2.5 million. The budgeted costs for 2019–20 are set out in Table 56.

Table 56: Budgeted costs to regulate securities dealers

Expense	Cost
Surveillance	$0.342m
Enforcement	$1.132m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.115m*
Education	*$0.003m*
Guidance	*$0.046m*
Policy advice	*$0.013m*
Indirect costs	
Governance, central strategy and legal	*$0.210m*
IT support	*$0.188m*
Operations support	*$0.120m*
Property and corporate services	*$0.206m*
Total operating expenditure	**$2.374m**

Expense	Cost
Adjustment for capital expenditure allowance	$0.189m
Adjustment for costs funded by own-source revenue	($0.010m)
Adjustment for market supervision cost recovery	$0.088m
Adjustment for prior year (under or over recovery)	$0.016m
Total costs to be recovered by levy	**$2.657m**

Corporate advisers and OTC traders

275 In 2019–20, we will monitor the culture and compliance of corporate advisers and OTC traders through risk-based supervision and surveillances and other actions, to identify and address misconduct and the threat of harm.

Industry funding levy for corporate advisers

276 An entity will fall within the corporate advisers subsector if:

(a) it holds an AFS licence or is exempt from holding an AFS licence under s911A(2)(l) or 926A(2) of the Corporations Act; and

(b) either the entity or the entity’s authorised representative provides or holds out that it provides one or more of the following financial services:

(i) financial product advice in Australia to a wholesale client in the course of advising on any of the following:

(A) takeover bids or merger proposals;

(B) the structure, pricing acquisition or disposal of assets or enterprises;

(C) raising or reducing capital through the issue or acquisition of equities or debt; or

(ii) dealing in a financial product in Australia by underwriting the issue, acquisition or sale of the product.

277 Corporate advisers must pay a minimum levy of $1,000. Entities in the subsector that make more than $100,000 in gross revenue from providing the prescribed financial services in the financial year will pay a graduated levy, based on the entity’s gross revenue above $100,000 and its share of the total revenue generated by all entities in the subsector.

278 The cost of regulating corporate advisers in 2018–19 was $5.9 million. The budgeted costs for 2019–20 are set out in Table 57.

Table 57: Budgeted costs to regulate corporate advisers

Expense	Cost
Surveillance	$0.526m
Enforcement	$1.511m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.279m*
Education	*$0.004m*
Guidance	*$0.105m*
Policy advice	*$0.018m*
Indirect costs	
Governance, central strategy and legal	*$0.384m*
IT support	*$0.374m*
Operations support	*$0.255m*
Property and corporate services	*$0.482m*
Total operating expenditure	**$3.938m**
Adjustment for capital expenditure allowance	$0.326m
Adjustment for costs funded by own-source revenue	($0.022m)
Adjustment for market supervision cost recovery	$0.658m
Adjustment for prior year (under or over recovery)	$0.135m
Total costs to be recovered by levy	**$5.034m**

Industry funding levy for OTC traders

279 An entity will fall within this subsector if it:

(a) holds an AFS licence or is exempt from holding a licence under s911A(2)(l) or s926A(2) of the Corporations Act; and

(b) deals in, or holds out that it deals in, OTC products by acquiring, disposing or issuing OTC products to or from professional investors; and

(c) forms part of, or is a related body corporate of, an entity that forms part of, the corporate advisers subsector.

280 An entity will not fall within the subsector, however, if it is part of the responsible entities, superannuation trustees and wholesale trustees

subsectors and only deals in, or holds out that it deals in, OTC products as part of its activities relevant to those subsectors.

281 OTC traders must pay a minimum levy of $1,000, plus a graduated levy based on each entity's share of the total number of FTE staff engaged in prescribed activities during the financial year.

282 The cost of regulating OTC traders in 2018–19 was $7.9 million. The budgeted costs for 2019–20 are set out in Table 58.

Table 58: Budgeted costs to regulate OTC traders

Expense	Cost
Surveillance	$2.708m
Enforcement	$0.177m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.970m*
Education	*$0.022m*
Guidance	*$0.380m*
Policy advice	*$0.139m*
Indirect costs	
Governance, central strategy and legal	*$0.879m*
IT support	*$0.770m*
Operations support	*$0.486m*
Property and corporate services	*$0.903m*
Total operating expenditure	**$7.433m**
Adjustment for capital expenditure allowance	$0.692m
Adjustment for costs funded by own-source revenue	($0.043m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.007m
Total costs to be recovered by levy	**$8.089m**

Retail OTC derivatives issuers

283 We regulate the conduct and disclosure of issuers of retail OTC derivatives in Australia, including issuers of products such as margin foreign exchange accounts, contracts for difference and binary options.

284 In 2019–20, we will:

(a) examine ways to use our product intervention power to address significant consumer detriment—for example, in relation to the issue and distribution of OTC binary options to retail investors, and the issue and distribution of OTC contracts for difference to retail clients;

(b) continue our reactive and thematic supervision and surveillance of the industry to identify and address threats and harms;

(c) disrupt unlicensed offering of risky financial products to consumers on digital platforms, applications and payment options;

(d) monitor compliance with:

  (i) the ASIC Client Money Reporting Rules 2017; and

  (ii) our updated guidance for AFS licensees that hold client money for trading in retail OTC derivatives (see Regulatory Guide 212 *Client money relating to dealing in OTC derivatives* (RG 212)); and

(e) engage with stakeholders on the supervisory and governance frameworks of market intermediaries that are expanding their businesses into unique product lines where clients use complex technology trading systems and models.

285 We will continue to liaise with industry to ensure clear expectations are set and to help raise standards across the industry.

Industry funding levy for retail OTC derivative issuers

286 An entity will fall within this subsector if it holds an AFS licence authorisation to deal in a financial product by issuing derivatives and make a market in derivatives. An entity will not, however, fall within the subsector if it is regulated by APRA.

287 The flat levy applies to retail OTC derivative issuers in 2019–20. Under this formula, our regulatory costs for the subsector will be shared equally between all entities in the subsector. If an entity does not hold the required AFS licence authorisations for the full financial year it will only be liable for a share of the regulatory costs in proportion to the number of days that it held the authorisations.

288 The cost of regulating retail OTC derivative issuers in 2018–19 was $4.8 million. The budgeted costs for 2019–20 are set out in Table 59.

Table 59: Budgeted costs to regulate retail OTC derivative issuers

Expense	Cost
Surveillance	$1.279m
Enforcement	$1.232m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.437m*
Education	*$0.011m*
Guidance	*$0.176m*
Policy advice	*$0.052m*
Indirect costs	
Governance, central strategy and legal	*$0.504m*
IT support	*$0.441m*
Operations support	*$0.278m*
Property and corporate services	*$0.496m*
Total operating expenditure	**$4.907m**
Adjustment for capital expenditure allowance	$0.418m
Adjustment for costs funded by own-source revenue	($0.024m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.223m
Total costs to be recovered by levy	**$5.523m**

Wholesale electricity dealers

289 Many participants in the electricity sector deal or make a market in OTC derivatives to allow them to manage risk resulting from fluctuations in the wholesale electricity markets. They are therefore required to hold an AFS licence with appropriate authorisations. We have primary responsibility for regulatory oversight of this aspect of their business.

290 Stakeholders in this subsector include entities such as electricity generators, retailers, distributors, renewable energy providers, gas providers and commodity traders (including some investment banks). The substantive operational businesses of these stakeholders are also subject to regulation by three other regulators—the Australian Energy Market Commission, the Australian Energy Regulator and the Australian Energy Market Operator.

291 In 2019–20, we will continue our reactive supervision and surveillance work in this subsector, which primarily arises from breach reports regarding compliance with Australian financial services law, in particular compliance with their financial obligations under the AFS licence. Other business-as-usual work includes providing input, advice and assistance to other regulators and government bodies (both in Australia and overseas).

Industry funding levy for wholesale electricity dealers

292 An entity will fall within the wholesale electricity dealers subsector if it incurs liabilities as part of its ordinary business operations in dealing in, or making a market in, OTC derivatives that relate to the wholesale price of electricity. An entity will not be part of the subsector if it is regulated by APRA or is a participant in a financial market.

293 Entities that fall within this subsector must pay a flat levy. Under this formula, our regulatory costs will be shared equally between entities in the subsector, because a relatively small amount of our regulatory effort is expended on this subsector. A graduated levy would impose an additional reporting burden and increase the complexity of the model, which would offset the benefits of a graduated levy.

294 The cost of regulating wholesale electricity dealers in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 60.

Table 60: Budgeted costs to regulate wholesale electricity dealers

Expense	Cost
Surveillance	$0.025m
Enforcement	$0.001m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.008m*
Education	*$0.00m*
Guidance	*$0.003m*
Policy advice	*$0.001m*
Indirect costs	
Governance, central strategy and legal	*$0.008m*
IT support	*$0.007m*
Operations support	*$0.004m*
Property and corporate services	*$0.008m*
Total operating expenditure	**$0.065m**

Expense	Cost
Adjustment for capital expenditure allowance	$0.006m
Adjustment for costs funded by own-source revenue	($0.00m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.002m
Total costs to be recovered by levy	**$0.073m**

Summary tables for the market infrastructure and intermediaries sector

Table 61: Budgeted industry funding levies for the market infrastructure sector

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange operators	$4.918m	2	**Value of transactions** The total value of all transactions that: • are entered into on, or reported to, the large securities exchange(s) operated by the entity in the financial year; • are within the operating rules of the exchange(s); and • are not invalid or cancelled.	No minimum levy	No threshold	$2.87 per $1m of total transactions
Large futures exchange operators	$1.405m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$1,404,623
Small futures exchange operators	$0.729m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$728,949
Small securities exchange operators	$0.744m	2	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$371,931
Small securities exchange operators with self-listing function only	$0.023m	1	**Number of exchanges** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$23,053

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
New specialised market operators	$0.144m	1 entity operating 1 market	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$144,130
Established specialised market operators	$0.701m	11 entities operating 12 markets (10.31* FYE markets)	**Number of markets** The number of days in the financial year on which the entity operated their exchange(s), multiplied by the number of exchanges the entity operates.	N/A	N/A	$67,988
Overseas market operators	$0.899m	15 entities operating 14 markets (11.73* FYE markets)	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$76,615
Tier 1 CS facility operators	$2.297m	4	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$574,330
Tier 2 CS facility operators	$0.230m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$229,772
Tier 3 CS facility operators	$0.104m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$104,442

Subsectors	Budget cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Tier 4 CS facility operators	$0.018m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$17,760
Exempt CS facility operators	$0.032m	1	**Number of facilities** The number of days in the financial year on which the entity operated their facility(ies), multiplied by the number of facilities the entity operates.	N/A	N/A	$32,307
Australian derivative trade repository operators	$0.535m	2	**Number of trade repositories** The number of days in the financial year on which the entity operated their trade repository(ies), multiplied by the number of repositories the entity operates.	N/A	N/A	$267,320
Exempt market operators	$0.450m	25	**Number of markets** The number of days in the financial year on which the entity operated their market(s), multiplied by the number of markets the entity operates.	N/A	N/A	$18,018
Credit rating agencies	$0.187m	6 (including 3 with a supervisory college)	**Number of days agency authorised with a supervisory college** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation and for which there is a supervisory college.	$2,000	No threshold	$58,304 per supervisory college
Benchmark administrator licensees	$0.594m	TBA	**Number of days authorised** The number of days in the financial year each entity administers each benchmark it is licensed to administer.	N/A	N/A	Data not available to estimate levy

* Note: To calculate the indicative levy for the established specialised market operators subsector and the overseas market operators subsector, we have used the FYE number of markets in these subsectors, to reflect the pro rata of the levy (see paragraph 66).

Table 62: Budgeted industry funding levies for market intermediaries sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large securities exchange participants	$16.947m	66	**Relative volume of transactions and messages on large securities exchanges** The number of messages that are: • sent by the participant in the financial year to a large securities exchange; • reported by the large securities exchange operator to our market surveillance system; and • recognised by our market surveillance system as orders or executed transactions. The number of transactions that are: • executed on, or reported to, a large securities exchange by the participant in a financial year; • reported by the large securities exchange operator to our market surveillance system; and • recognised by our market surveillance system as executed transactions. When there are multiple reports containing the same information about the same message or transaction, each message or transaction will only be counted once.	$9,000	No threshold	$9,000 plus 1.53 cents per transaction and 0.039 cents per message

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Large futures exchange participants	$2.046m	40	**Relative volume of lots and messages on large futures exchanges** The number of lots that are: • executed on, or reported to, a large futures exchange by the entity in the financial year; • reported by the operator of a large futures exchange to our market surveillance system; and • recognised by our market surveillance system as executed lots. The number of messages that are: • sent by the entity to a large futures exchange in a financial year; • reported by the operator of a large futures exchange to our market surveillance system; and • recognised by our market surveillance system as orders or executed transactions. Where there are multiple reports about the same message or lot that contain the same information, each message or lot will only be counted once.	$9,000	No threshold	$9,000 plus 0.40 cents per lot and 0.07 cents per message
Securities dealers	$2.657m	953	**Annual transaction turnover value** The total value of transactions in securities (as measured by the buy price plus sale price of securities) that are: • executed on, or reported to, a large securities exchange in the financial year; • reported by the large securities exchange operator to our market surveillance system; and • recognised by our market surveillance system as executed transactions.	$1,000	No threshold	$1,000 plus $16.45 per $1m of annual transaction turnover

<table>
<tr><th>Subsectors</th><th>Budgeted cost recovery amount</th><th>Number of entities</th><th>Levy metric description</th><th>Minimum levy</th><th>Graduated levy threshold</th><th>Indicative levy</th></tr>
<tr><td>Corporate advisers</td><td>$5.034m</td><td>328</td><td>Revenue from corporate advisory activity
The total gross revenue made in the financial year by the corporate adviser, and the authorised representative of the adviser, from:
providing financial product advice in Australia to a wholesale client in the course of advising on:
takeover bids and/or mergers;
structure pricing and acquisition or disposal of assets or enterprises; and
raising or reducing capital through the issue or acquisition of equities or debt; and
dealing in a financial product in Australia by underwriting the issue, acquisition or sale of the product.</td><td>$1,000</td><td>$100,000</td><td>$1,000 plus $17.16 per $10,000 of annual total revenue over $100,000</td></tr>
<tr><td>OTC traders</td><td>$8.089m</td><td>65 entities (2,510 FTE staff)</td><td>FTE staff engaged in OTC trading activity
The number of persons who ordinarily act on behalf of the OTC trader or their authorised representative and have, at any time in the financial year, carried out one or more of the following activities in relation to dealing in an OTC financial product with a professional investor:
determining the terms on which the OTC trader is willing to deal;
making or accepting an offer or an invitation to deal; and
managing the financial risk arising from dealing in a financial product.</td><td>$1,000</td><td>No threshold</td><td>$1,000 plus $3,197 per FTE staff engaged in OTC trading activity</td></tr>
</table>

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric description	Minimum levy	Graduated levy threshold	Indicative levy
Retail OTC derivative issuers	$5.523m	98.96*	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$55,812
Wholesale electricity dealers	$0.073m	21	Flat levy	N/A	N/A	$3,497

* Note: To calculate the indicative levy for the retail OTC derivative issuers subsector, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (refer to paragraph 66).

H Financial advice sector

Key points

This section details our budgeted costs and the work we will do during 2019–20 in regulating the financial advice sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- licensees that provide personal advice to retail clients on relevant financial products (see paragraphs 302–310 and Table 63–Table 64);
- licensees that provide personal advice to retail clients on products that are not relevant financial products (see paragraphs 311–314, Table 63 and Table 65);
- licensees that provide general advice only to retail or wholesale clients (see paragraphs 315–319, Table 63 and Table 66); and
- licensees that provide personal advice to wholesale clients only (see paragraphs 320–323, Table 63 and Table 67).

Table 68 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the financial advice sector

295 The financial advice sector consists of AFS licensees with an authorisation to provide financial product advice to retail or wholesale clients—that is, licensees that provide:

(a) personal advice to retail clients on relevant financial products;

(b) personal advice to retail clients on products that are not relevant financial products;

(c) general advice only to retail or wholesale clients; and

(d) personal advice to wholesale clients only.

296 Our regulation of the financial advice sector is focused on promoting a fair, strong and efficient financial system for all Australians by holding financial advisers to account.

297 Our work includes monitoring the conduct of financial advisers and their compliance with advice conduct obligations under the Corporations Act, identifying causes of harms or breaches of the Corporations Act and ASIC Act, and taking appropriate action, including enforcement action where necessary.

298 We engage with stakeholders to ensure harms that threaten good investor and consumer outcomes are identified and addressed and provide guidance and education to financial advisers regarding their legal obligations.

299 We will also continue to:

(a) support law reform and contribute to policy development;

(b) engage with and provide guidance and advice to industry; and

(c) process applications for relief.

300 Table 63 sets out our areas of focus in 2019–20.

Table 63: Focus areas in financial advice sector (2019–20)

Focus area	Description
Wealth management restructure	Monitoring the restructure of large banks away from wealth management and the potential flow-on impacts for consumers in relation to financial advice.
Ending grandfathered commissions	In accordance with a direction from the Treasurer, conducting: • a quantitative review of payers of grandfathered commissions on a periodic basis, to test the extent to which payers have changed their grandfathered commission arrangements • a qualitative review of a sample of payers and receivers of grandfathered commissions, to understand why payers of grandfathered commissions have, or have not, ended grandfathered arrangements and how rebating arrangements are working in practice.
Advisers with serious compliance concerns	Banning advisers who have been identified as having serious compliance concerns.
Royal Commission—Implementation of law reform	Addressing and implementing the relevant financial-advice-focused recommendations arising from the Royal Commission. This work will be undertaken in 2019–20 and 2020–21.
Protecting consumers of general advice	Conducting consumer testing of more appropriate labels for general advice.
Unmet advice needs	Examining the demand and supply of advice, the gaps (if any) between them, and potential solutions to reducing those gaps.
Review of life risk insurance commissions	Collecting six-monthly data from insurers to assist ASIC's 2021 review of the impact of the life insurance reforms on better aligning the interests of advisers and consumers. The impact of the reforms on the quality of life insurance advice will be assessed in future years through a large file review program.
Advice compliance	• Monitoring review and remediation programs for customers of large financial institutions who received inappropriate advice. • Engaging with the institutions regarding changes to their advice audit and advice quality processes that have been made or are continuing to be implemented.
Fee disclosure statements and opt-in requirements	Undertaking surveillance of financial advisers' compliance with the fee disclosure and opt-in requirements, and issuing a public report on our findings.
Fee-for-no-service remediation	Monitoring review and remediation programs of large financial institutions with fee-for-no-service breaches.

Focus area	Description
Financial Advisers Register enhancement	• Enhancing the Financial Advisers Register to incorporate training and professionalism reforms. • Providing guidance on compliance with new notification requirements for the Financial Advisers Register.
SMSF red flags	Publishing an infographic of SMSF 'red flags' for consumers considering whether to establish an SMSF, so they can make informed decisions.

301 Our forecast regulatory costs for each subsector are outlined in Table 64–Table 67. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Licensees that provide personal advice to retail clients on relevant financial products

302 In 2019–20, we will focus on the conduct and practices of licensees in this subsector to identify real and potential harms that threaten good investor and consumer outcomes. We remain committed to implement the recommendations of the Royal Commission.

303 We will take enforcement or other regulatory action where we identify a breach of the law. We will be guided by our 'Why not litigate?' operational discipline in determining whether enforcement is the most appropriate action to address a particular breach.

304 We will continue to improve the quality of life insurance advice through supervision and surveillance, and examine the effectiveness of recent legislative reforms in improving consumer outcomes.

305 We will continue to collect data from life insurers every six months. This data will assist ASIC's 2021 review that will assess the impact of the life insurance reforms in better aligning the interests of advisers and consumers. The impact of the reforms on the quality of life insurance advice will be tested in future years through a large file review program.

306 We will continue to monitor the advice compliance at the six largest financial advice firms, including banning non-compliant advisers who have been identified as part of previous reviews—or taking other regulatory action where appropriate. We will also monitor firms' remediation programs for non-compliant advice identified as part of previous reviews and for fee-for-no-service breaches. We will continue to investigate misconduct and take enforcement action for fees-for-no-service breaches.

307 We will strive to promote strong and innovative development of the financial system. We will drive the development and use of regulatory technology (regtech) solutions by financial services firms—to deliver better regulatory

compliance outcomes for consumers—through, for example, problem-solving events and collaborative supervision trials.

Industry funding levy for licensees that provide personal advice to retail clients on relevant financial products

308 An entity will fall within this subsector if it holds an AFS licence that authorises it to provide financial product advice on relevant financial products to retail clients.

309 All entities in this subsector will pay a minimum levy of $1,500, and a graduated levy based on each AFS licensee's share of the total number of advisers registered on the financial advisers register at the end of the financial year. This is because the greater the number of advisers, the larger the number of clients able to be serviced and the higher the level of regulatory oversight required. A licensee will only pay the levy in proportion to the number of days in the financial year that they held the relevant AFS licence authorisation.

310 The cost of regulating licensees that provide personal advice to retail clients on relevant financial products in 2018–19 was $33.0 million. The budgeted costs for 2019–20 are set out in Table 64.

Table 64: Budgeted costs to regulate licensees that provide personal advice to retail clients on relevant financial products

Expense	Cost
Surveillance	$7.548m
Enforcement	$12.332m
Financial capability	$1.178m
Other regulatory activities	
Industry engagement	*$0.419m*
Education	*$0.194m*
Guidance	*$0.596m*
Policy advice	*$0.115m*
Indirect costs	
Governance, central strategy and legal	*$4.332m*
IT support	*$3.149m*
Operations support	*$2.237m*
Property and corporate services	*$4.231m*
Total operating expenditure	**$36.329m**

Expense	Cost
Adjustment for capital expenditure allowance	$3.786m
Adjustment for costs funded by own-source revenue	($0.197m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.252m
Total costs to be recovered by levy	**$40.170m**

Licensees that provide personal advice to retail clients on products that are not relevant financial products

311 In 2019–20, we will monitor the compliance of these licensees through supervision and surveillances and other actions. We will use our threats, harms and behaviours framework to identify and describe regulatory risks, and consider appropriate actions.

Industry funding levy for licensees that provide personal advice to retail clients on products that are not relevant financial products

312 An entity will fall within this subsector if it holds an AFS licence that authorises it to provide financial product advice to retail clients only on basic banking products, general insurance products and consumer credit insurance.

313 Licensees in this subsector will pay a flat levy. The subsector regulatory costs will be shared equally between entities that are part of the subsector for the full financial year, because regulatory effort for each entity is not dependent on the size of the entity. If an entity does not operate for the full financial year, it will only share in the regulatory costs for the subsector in proportion to the number of days in the financial year that it held the relevant AFS licence authorisation.

314 The cost of regulating licensees that provide personal advice to retail clients on products that are not relevant financial products in 2018–19 was $0.1 million. The budgeted costs for 2019–20 are set out in Table 65.

Table 65: Budgeted costs to regulate licensees that provide personal advice to retail clients on products that are not relevant financial products

Expense	Cost
Surveillance	$0.055m
Enforcement	$0.004m
Financial capability	$0.009m
Other regulatory activities	
Industry engagement	*$0.003m*
Education	*$0.001m*
Guidance	*$0.004m*
Policy advice	*$0.001m*
Indirect costs	
Governance, central strategy and legal	*$0.021m*
IT support	*$0.013m*
Operations support	*$0.009m*
Property and corporate services	*$0.018m*
Total operating expenditure	**$0.139m**
Adjustment for capital expenditure allowance	$0.018m
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.012m
Total costs to be recovered by levy	**$0.168m**

Licensees that provide general advice only

315 In 2019–20, we will monitor the compliance of these licensees through supervision and surveillances and other actions, based on our threats, harms and behaviours framework.

Industry funding levy for licensees that provide general advice only

316 An entity will fall within this subsector if it holds an AFS licence authorising it to provide financial product advice that is general advice only.

317 Entities in this subsector must pay a flat levy. The regulatory costs for the subsector will be shared equally between all entities in the subsector. Our regulatory costs for each entity in the subsector are not dependent on the size of the entity.

318 There is no pro rata of the levy for the number of days the entity held the relevant AFS licence authorisation, because the low annual levy rate means that pro rating the levy would be administratively burdensome and disproportionately increase costs to be passed on to the subsector.

319 The cost of licensees that provide general advice only in 2018–19 was $0.7 million. The budgeted costs for 2019–20 are set out in Table 66.

Table 66: Budgeted costs to regulate licensees that provide general advice only

Expense	Cost
Surveillance	$0.221m
Enforcement	$0.016m
Financial capability	$0.022m
Other regulatory activities	
Industry engagement	*$0.010m*
Education	*$0.003m*
Guidance	*$0.012m*
Policy advice	*$0.006m*
Indirect costs	
Governance, central strategy and legal	*$0.104m*
IT support	*$0.131m*
Operations support	*$0.061m*
Property and corporate services	*$0.147m*
Total operating expenditure	**$0.734m**
Adjustment for capital expenditure allowance	$0.084m
Adjustment for costs funded by own-source revenue	($0.005m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.017m
Total costs to be recovered by levy	**$0.829m**

Licensees that provide personal advice to wholesale clients only

320 In 2019–20, we will monitor the compliance of wholesale advice providers through risk-based, reactive supervision and surveillances and other actions, based on our threats, harms and behaviours framework.

Industry funding levy for licensees that provide personal advice to wholesale clients only

321 An entity will fall within this subsector if it holds an AFS licence authorising it to provide financial product advice to wholesale clients only.

322 A flat levy applies. The subsector regulatory costs will be shared equally between all entities in the subsector, because our regulatory costs for each entity are not dependent on each entity's share of total business activity within the subsector. There is no pro rata of the levy, for the reasons outlined at paragraph 318.

323 The cost of regulating licensees that provide personal advice to wholesale clients only in 2018–19 was $0.2 million. The budgeted costs for 2019–20 are set out in Table 67.

Table 67: Budgeted costs to regulate licensees that provide personal advice to wholesale clients only

Expense	Cost
Surveillance	$0.078m
Enforcement	$0.006m
Financial capability	$0.012m
Other regulatory activities	
Industry engagement	*$0.005m*
Education	*$0.002m*
Guidance	*$0.006m*
Policy advice	*$0.002m*
Indirect costs	
Governance, central strategy and legal	*$0.030m*
IT support	*$0.019m*
Operations support	*$0.013m*
Property and corporate services	*$0.026m*
Total operating expenditure	**$0.198m**
Adjustment for capital expenditure allowance	$0.025m

Expense	Cost
Adjustment for costs funded by own-source revenue	($0.001m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.023m
Total costs to be recovered by levy	**$0.245m**

Summary table of budgeted industry funding levies for the financial advice sector

Table 68: Budgeted industry funding levies for the financial advice sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Indicative levy
Licensees that provide personal advice to retail clients on relevant financial products	$40.170m	3,051 AFS licensees with 22,652* advisers	**Adjusted number of advisers on the financial advisers register** The levy metric is based on the number of relevant providers (within the meaning of s910A) that are: • registered on the financial advisers register at the end of financial year; and • authorised to provide personal advice to retail clients on behalf of the entity.	$1,500	No threshold	$1,500 plus $1,571 per adviser
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$0.168m	621.58*	**Number of days authorised** The number of days in the financial year on which the entity holds the prescribed AFS licence authorisation.	N/A	N/A	$271
Licensees that provide general advice only	$0.829m	1,020	Flat levy	N/A	N/A	$813
Licensees that provide personal advice to wholesale clients only	$0.245m	1,579	Flat levy	N/A	N/A	$155

* Note: To calculate the indicative levy for licensees that provide personal advice to retail clients on products that are not relevant financial products, we have used the FYE number of entities in the subsector, to reflect the pro rata of the levy (see paragraph 66).

I Insurance sector

Key points

This section details our budgeted costs and the work we will do during 2019–20 in regulating the insurance sector. It also goes into more detail about the methodologies we use to calculate the levies that apply to:

- insurance product providers (see paragraphs 330–334 and Table 69–Table 70);
- insurance product distributors (see paragraphs 335–338, Table 69 and Table 71); and
- risk management product providers (see paragraphs 339–342, Table 69 and Table 72).

Table 73 sets out how we have allocated these forecast costs between each subsector and the indicative levies for each subsector.

Overview of the insurance sector

324 The insurance sector consists of AFS licensees, including life and general insurance product providers, insurance product distributors (such as insurance brokers and AFS licensees who distribute products on behalf of an insurer), and risk management product providers.

325 In 2019–20, we will focus on supporting the development and implementation of insurance law reforms that stemmed from the Royal Commission. These will significantly broaden ASIC's mandate and address limitations of the law to support better consumer outcomes.

326 We will review specific product segments and examine the conduct and practices within the industry to gain deeper insight into real and potential structural and behavioural issues. We will take regulatory and enforcement actions where necessary, including the use of our product intervention power to address undesirable practices in the sale and distribution of insurance products.

327 We will also explore relevant technological innovations—for example, we will trial natural language processing and voice analytics technology in order to understand how these innovations can identify conduct in life insurance call recordings that might lead to consumer harm.

328 Table 69 outlines the areas we will focus on in the insurance sector in 2019–20.

Table 69: Focus areas in insurance sector (2019-20)

Focus area	Description
Insurance law reform	• Assisting Treasury to implement reforms arising from the Government's response to the Royal Commission, this includes the extension of the unfair contract terms protections to cover insurance contracts, removal of the claims handling exemption, banning of hawking of insurance and other products, introduction of a deferred sales model for add-on insurance, changes to the *Insurance Contracts Act 1984* on the duty of disclosure and insurers' ability to avoid life insurance contracts, and removal of the exemptions for funeral expenses policies. • Developing industry guidance on legislative reform, where needed. • Consulting on a proposal to ban unsolicited telephone sales of direct life insurance and consumer credit insurance (CCI) using our modification power, and to introduce a deferred sales model for add-on insurance sold through car yards, to complement the Government's law reform agenda. • Continuing to address problems in relation to the sale of add-on insurance products in the context of motor vehicle sales.
Consumer credit insurance review	Requiring lenders to undertake large-scale remediations to address consumer harm involving over 300,000 affected consumers who are to be paid over $100 million in refunds of premiums and interest. This was identified in Report 622 *Consumer credit insurance: Poor value products and harmful sales practices* (REP 622), which described the findings of our review of, and set minimum expectations for, lenders who sell CCI and insurers who design the products and handle claims.
Insurance claim investigation practices	Identifying and taking regulatory action against misconduct in insurance claim investigations. This follows the publication of Report 621 *Roadblocks and roundabouts: A review of car insurance claim investigations* (REP 621), which outlined our findings on outcomes of insurance claim investigations and engagement with industry to set better practice standards.
Life insurance data collection	Together with APRA, continuing to collect and publish life insurance claims and disputes data and updating the MoneySmart life insurance claims comparison tool to promote informed decisions and improve consumer outcomes.
Total and permanent disability (TPD) insurance review	Examining outcomes for consumers, claims handling practices, the role of data in managing risk of consumer harms, and declined claims rates in the TPD insurance sector, and publishing our findings and recommendations in Report 633 *Holes in the safety net: A review of TPD insurance claims* (REP 633).
Travel insurance review	Commencing a review of travel insurance to look at outcomes for consumers and drivers of consumer harm in this space.
Improving standards through codes of practice	Engaging with industry to drive higher standards in codes of practice to improve consumer outcomes—for example, engaging with the Insurance Council of Australia on the review of the General Insurance Code of Practice.

329 Our forecast regulatory costs for each subsector are outlined in Table 70–Table 72. These costs are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2019–20.

Insurance product providers

330 As outlined in Table 69, in 2019–20 we will focus on supporting the reforms arising from the Royal Commission. We will also examine a range of insurance products and markets where we see potential threats to fair outcomes for consumers, including TPD insurance, consumer credit insurance and travel insurance.

331 An entity will fall within this subsector if it holds an AFS licence with an authorisation to deal in general insurance, life insurance products or investment life products and one of the following applies:

(a) the entity is a general insurer, authorised non-operating holding company or subsidiary of a general insurer or authorised non-operating holding company, within the meaning of the *Insurance Act 1973*;

(b) the entity is a life company that is registered under s21 of the *Life Insurance Act 1995* or a registered non-operating holding company within the meaning of that Act; or

(c) the entity is a party to the types of arrangements prescribed in reg 72(2) of the Cost Recovery Levy Regulations.

Industry funding levy for insurance product providers

332 Our regulatory effort for insurance product providers varies depending on whether the entity is a life insurer (or friendly society) or a general insurance product provider, and the scale of its operation. For example, a large general insurer with a substantial customer base presents a significantly larger risk to the broader financial system than a small general insurer with a limited number of products and customers.

333 All entities in the subsector will pay a minimum levy of $20,000. Entities within the subsector that have more than $5 million in relevant insurance product income in the financial year will pay a graduated levy based on the entity's share of the total amount of relevant insurance product income in the subsector.

334 The cost of regulating insurance product providers in 2018–19 was $11.6 million. The budgeted costs for 2019–20 are set out in Table 70.

Table 70: Budgeted costs to regulate insurance product providers

Expense	Cost
Surveillance	$5.00m
Enforcement	$0.673m
Financial capability	$1.536m

Expense	Cost
Other regulatory activities	
Industry engagement	*$0.534m*
Education	*$0.059m*
Guidance	*$0.214m*
Policy advice	*$0.447m*
Indirect costs	
Governance, central strategy and legal	*$1.190m*
IT support	*$1.227m*
Operations support	*$0.870m*
Property and corporate services	*$1.637m*
Total operating expenditure	**$13.387m**
Adjustment for capital expenditure allowance	$1.063m
Adjustment for costs funded by own-source revenue	($0.077m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$14.373m**

Insurance product distributors

335 As outlined in Table 69, we will focus on supporting the reforms arising from the Royal Commission in 2019–20, some of which apply to insurance product distributors as well as insurance product providers. We will also examine a range of insurance products and markets where we see potential threats to fair outcomes for consumers, and in doing so will consider the role of insurance product distributors. Where insurance product distributors, such as insurance brokers, provide general advice or personal advice to a client, this will also be examined by ASIC through our work in the financial advice sector (see Section H).

336 An entity will fall within this subsector if it holds an AFS licence with an authorisation to deal in general insurance, life insurance products or investment life products. However, an entity will not fall within this subsector if the entity also falls within the insurance product providers subsector for the financial year.

Industry funding levies for insurance product distributors

337 A flat levy applies. Our regulatory costs for insurance product distributors will be shared equally between all entities in the subsector, because our level of regulatory activity is relatively similar for entities with each authorisation.

338 The cost of regulating insurance product distributors in 2018–19 was $2.1 million. The budgeted costs for 2019–20 are set out in Table 71.

Table 71: Budgeted costs to regulate insurance product distributors

Expense	Cost
Surveillance	$0.149m
Enforcement	$1.306m
Financial capability	$0.046m
Other regulatory activities	
Industry engagement	*$0.016m*
Education	*$0.002m*
Guidance	*$0.006m*
Policy advice	*$0.013m*
Indirect costs	
Governance, central strategy and legal	*$0.201m*
IT support	*$0.184m*
Operations support	*$0.137m*
Property and corporate services	*$0.246m*
Total operating expenditure	**$2.306m**
Adjustment for capital expenditure allowance	$0.178m
Adjustment for costs funded by own-source revenue	($0.012m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.024m
Total costs to be recovered by levy	**$2.496m**

Risk management product providers

339 Entities that hold an AFS licence with an authorisation to deal in a financial product for managing financial risk (that is not a financial product specified in s764A of the Corporations Act) will fall within this subsector—for example, providers of mutual risk products.

340 In 2019–20, we will focus on reducing the sale of inappropriate products to consumers, and the extent of inappropriate outcomes from products. We will monitor the compliance of risk management product providers through supervision and surveillances and other actions, using our threats, harms and behaviours framework to identify and describe regulatory risks and determine appropriate actions.

Industry funding levy for risk management product providers

341 Risk management product providers will pay a flat levy. Our regulatory costs will be shared equally between all entities in the subsector in proportion to the number of days in the financial year the entity held the required AFS licence authorisation.

342 The cost of regulating risk management product providers in 2018–19 was $0.6 million. The budgeted costs for 2019–20 are set out in Table 72.

Table 72: Budgeted costs to regulate risk management product providers

Expense	Cost
Surveillance	$0.292m
Enforcement	$0.009m
Financial capability	$0.090m
Other regulatory activities	
Industry engagement	*$0.031m*
Education	*$0.003m*
Guidance	*$0.012m*
Policy advice	*$0.026m*
Indirect costs	
Governance, central strategy and legal	*$0.067m*
IT support	*$0.069m*
Operations support	*$0.049m*
Property and corporate services	*$0.094m*
Total operating expenditure	**$0.743m**

Expense	Cost
Adjustment for capital expenditure allowance	$0.060m
Adjustment for costs funded by own-source revenue	($0.004m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.010m
Total costs to be recovered by levy	**$0.809m**

Summary table of industry funding levies for the insurance sector

Table 73: Budgeted industry funding levies for insurance sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Indicative levy
Insurance product providers	$14.373m	95	**Gross premium and net policy revenue** Gross amount of premiums written and net revenue received, less any reinsurance expenses, in relation to business covered by the entity's AFS licence	$20,000	$5m	$20,000 plus $2.78 per $10,000 of revenue over $5m
Insurance product distributors	$2.496m	3,173	Flat levy	N/A	N/A	$787
Risk management product providers	$0.809m	57.9*	**Number of days authorised** The number of days in the financial year on which the entity held the prescribed AFS licence authorisation	N/A	N/A	$13,981

*Note: To calculate the indicative levy for the risk management product providers subsector, we have used the FYE in the subsector, to reflect the pro rata of the levy (see paragraph 66).

J Large financial institutions sector

Key points

This section details our budgeted costs and the work we will do during 2019–20 to implement close and continuous monitoring of large financial institutions. It also goes into more detail about the methodologies we use to calculate the levies that apply to entities that are subject to close and continuous monitoring.

Table 74–Table 75 set out how we have allocated our forecast costs and the indicative levy for entities subject to close and continuous monitoring.

Overview of the large financial institutions sector

343 In March 2019, the Australian Government provided additional funding to ASIC to support an accelerated enforcement strategy and to carry out expanded responsibilities following the Royal Commission. This followed previous additional funding announced in August 2018.

Note: See the Hon. Josh Frydenberg, Treasurer, *Record funding and resources for ASIC and APRA to help restore trust in Australia's financial sector*, media release, 22 March 2019 and the Hon. Kelly O'Dwyer, then Minister for Revenue and Financial Services, and the Hon. Scott Morrison MP, then Treasurer, *Turnbull Government expands ASIC's armoury*, joint media release, 7 August 2018.

344 Part of the additional funding was to support more intensive onsite supervision of large institutions, which is implemented through our Close and Continuous Monitoring (CCM) program.

345 The CCM program commenced in October 2018 and focuses on the ability of Australia's five largest financial institutions to detect and respond to reportable, or potentially reportable, breaches of financial services laws, and to rectify and remediate those breaches in a timely manner.

346 In 2019–20, the CCM program will continue to examine the ability of these institutions to identify and manage non-financial risks and how the business models of these institutions affect those risks. We will also seek to improve our regulatory engagement with the monitored institutions. We will report on our observations and findings.

Entities subject to close and continuous monitoring

347 An entity will fall within this subsector if, on 1 July 2018:

(a) the total value of deposits held in deposit products issued by the entity is at least $100 billion; or

(b) at least 1,000 relevant providers (within the meaning of s910A of the Corporations Act) are:

(i) registered on the Register of Relevant Providers; and

(ii) authorised to provide personal advice to retail clients on behalf of the entity.

Industry funding levy for entities subject to close and continuous monitoring

348 A flat levy applies to entities subject to close and continuous monitoring. Each entity in the subsector will be liable for an equal share of our regulatory costs assigned to the subsector.

349 The cost of implementing close and continuous monitoring in 2018–19 was $3.7 million. The budgeted costs for 2019–20 are set out in Table 74.

Table 74: Budgeted costs to implement close and continuous monitoring

Expense	Cost
Surveillance	$4.042m
Enforcement	$0.023m
Financial capability	$0.00m
Other regulatory activities	
Industry engagement	*$0.00m*
Education	*$0.00m*
Guidance	*$0.00m*
Policy advice	*$0.00m*
Indirect costs	
Governance, central strategy and legal	*$0.162m*
IT support	*$0.273m*
Operations support	*$0.521m*
Property and corporate services	*$0.878m*
Total operating expenditure	**$5.899m**
Adjustment for capital expenditure allowance	$0.00m
Adjustment for costs funded by own-source revenue	($0.046m)
Adjustment for market supervision cost recovery	$0.00m
Adjustment for prior year (under or over recovery)	$0.00m
Total costs to be recovered by levy	**$5.853m**

Summary table of industry funding levies for the large financial institutions sector

Table 75: Budgeted industry funding levies for large financial institutions sector

Subsectors	Budgeted cost recovery amount	Number of entities	Levy metric definition	Minimum levy	Graduated levy threshold	Indicative levy
Entities subject to close and continuous monitoring	$5.853m	5	Flat levy	N/A	N/A	$1,170,592

K Risk assessment

Key points

We have a wide and varied regulated population, and this breadth and complexity is reflected in the industry funding model. The model incorporates a number of methodologies to calculate how our regulatory costs should be allocated within a subsector to most closely align them with the allocation of our resources.

The potential risks of this model include:

- volatility in levies from year to year;
- differences between estimated levy amounts and the actual amounts levied;
- over or under collecting levies from year to year;
- uncertainty about the introduction of new subsectors; and
- failing to collect sufficient information from entities to calculate the levies that ought to be paid.

These risks have been mitigated and managed by increasing the level of consultation and communication with stakeholders throughout the process, to ensure maximum transparency and understanding.

350 We calculate the levies based on the business activity metrics each leviable entity must provide to ASIC each year. Because of the diversity of entities and activities that we regulate, which can change over time, a large number of different methods are required for allocating our regulatory costs, and these will need to be updated and amended as circumstances change. This is a complex model. Its effectiveness is dependent on collecting complete, accurate and timely information from the entities we regulate.

351 The risks arising from this model, and how we will mitigate them, are set out in Table 76.

Table 76: Mitigation of risks arising from the industry funding model

Risk	Mitigation
Volatility in year-to-year bills	The industry funding model will recover the actual costs we expend during the financial year to undertake our regulatory activities. This ensures that each subsector is only levied for the actual cost of regulating that subsector. However, this also means that each entity's invoice will vary from year to year, according to changes in our priorities and resource allocations. As part of our strategic planning process, we use a threats, harms and behaviours framework to better identify, describe and prioritise actual and potential harms to consumers, investors, and fair and efficient markets. This information is used to support how we plan our regulatory actions and allocate our resources for the year, which is reflected in the allocation of regulatory costs to each subsector. Our strategic planning process should assist stakeholders by signalling at an early stage the cost drivers for the different subsectors which will be reflected in the CRIS each year. Each year, we will publish the CRIS and the indicative levies for the coming year, along with the dashboard report (see Appendix 1) that sets out the actual costs for each subsector for the previous year. We do this so that stakeholders will be able to understand the reason underpinning the levies for each subsector that we regulate. Each year we also publish the corporate plan, which outlines our vision and mission for the coming year and our strategic plan to achieve them.
Levies invoiced differ significantly from the estimates provided due to changes in our operating environment	Our strategic planning process (see the row above) should result in a more reliable estimate of the allocation of regulatory costs for the financial year. However, we cannot prevent change in our operating environment (e.g. the outbreak of a pandemic) between the time the estimate is provided and the time the levy is invoiced. We strive to be strategic and agile so that we can respond rapidly to changes in our operating environment during the year, including changes to threats, or emerging threats, that have or may cause harm. As our operating environment changes over time, so will the allocation of regulatory effort and costs to different subsectors. However, we will publish our annual dashboard report as soon as practicable to give our regulated sectors as much advanced notice of these changes as possible. The annual dashboard report will provide transparency in how the funding has been spent and the regulatory activities that have been undertaken.
Over or under collection of levies	Our balance management strategy is set out in the Cost Recovery Levy Act. Each year we must reduce our regulatory costs by the amount of any excess levy paid in the previous financial year. Similarly, where there has been a shortfall in the recovery of our costs for a previous financial year, we must increase our regulatory costs by the amount of the shortfall. We must attribute any excess or shortfall to the subsectors where the excess or shortfall previously arose. This will ensure that, if there is over or under recovery, it is transparent, and the adjustments are equitable.
The introduction of new subsectors during the financial year	The introduction of new subsectors will affect the allocation of costs between subsectors and the levy for individual entities. If the Australian Government determines that a new subsector should be introduced to the industry funding model, the Government must amend the Cost Recovery Levy Regulations and undertake appropriate industry consultation (as required by the *Legislation Act 2003*).

Risk	Mitigation
Failure to collect sufficient information from entities to correctly apportion our regulatory costs	Each regulated entity is responsible for: • determining the subsector to which it belongs; and • submitting their business activity metrics on the ASIC Regulatory Portal. This information will be used to determine each entity's share of our regulatory costs. If some entities fail to submit this information, or provide false information, then all entities in that subsector may be levied the wrong amount. The next business activity metrics are due to be submitted between July and September 2020. This will be the third year of submitting the metric; therefore, industry awareness will have improved. We will implement a communications strategy to ensure that industry is once again aware of its obligation to submit their activity metrics. We will also assist, where possible, by pre-filling the reporting forms with information we already hold. The penalty provisions of the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017* should also ensure industry is motivated to report accurate information so we can correctly allocate our costs. It is a criminal offence to fail to comply with the obligation to submit business activity metrics on the ASIC Regulatory Portal by the due date. It is also an offence to submit misleading information. If an entity fails to provide the required information or we are not satisfied with the information provided, we may give an entity a default notice stating the amount that, in our opinion, is the levy payable by the entity for the financial year. That amount is taken to be the levy payable by the entity for the financial year.

PART 2 Fees for service under ASIC industry funding model

352 Part 2 of this CRIS provides information on the implementation of fees for service under the industry funding model.

353 Part 2 sets out:

(a) an introduction to the part (see Section L);

(b) the policy and statutory authority for fees for service (see Section M);

(c) the fees-for-service model (see Section N); and

(d) the risk assessment we have undertaken (see Section O).

L Introduction to Part 2

Key points

The Australian Government has undertaken extensive consultation to develop and refine the fees-for-service model. Treasury consulted on the model in August 2015 and again in November 2017. In January 2019, the Government consulted on further amendments to the fees-for-service model.

Part 2 of this CRIS provides information on how we will recover our user-initiated and transaction-based regulatory costs via cost recovery fees in 2019–20. It includes information about the fees for service and the methodology for calculating the fees.

Note: In this CRIS we refer to our cost recovery fees as 'fees for service'.

The regulatory activities where we charge fees for service are licensing and registration, compliance reviews of documents, requests for changes to market operating rules, and assessing applications for relief.

Background to fees for service

354 On 20 April 2016, the Australian Government announced it would introduce an industry funding model for ASIC. This was in response to the recommendation of the FSI that the Government recover the cost of ASIC's regulatory activities directly from industry participants through fees and levies, calibrated to reflect the cost of regulating the different industry sectors that we regulate.

Note: See FSI, *Financial System Inquiry: Final report*, December 2014, recommendation 29.

355 The industry funding levy component of the industry funding model commenced on 1 July 2017. However, following consultation, the Australian Government decided to delay the commencement of the fees-for-service proposals to allow time to refine the model by gathering further data to support the setting of the fee amounts.

356 Prior to the commencement of fees for service, we charged industry fees for around 180 separate regulatory forms, but our fees did not accurately reflect the cost of processing and assessing those forms. Traditionally, many of these activities only attracted a nominal fee, which was not subject to any review, resulting in the cost of these activities being subsidised by taxpayers.

357 The second phase of the ASIC industry funding model—the introduction of ASIC fees for service—commenced on 4 July 2018. From that date we have fully recovered our costs for specific regulatory activities requested by an entity.

Description of our regulatory activities

358 To achieve our vision for a fair, strong and efficient financial system for all Australians, we undertake a range of activities for specific entities at their request. These activities are recovered through fees for service. Our budget data for 2019–20 indicates that fee-related activities will account for approximately 5% of our total regulatory costs.

359 Table 77 outlines our regulatory activities where costs will be recovered through fees for service. The specific fees proposed for each of these activities are detailed in Appendix 2.

Table 77: Fees-for-service activities

Activity	Affected industry sectors or subsectors	Further discussion
Licence application or variation services	Credit licensees (all subsectors) AFS licensees (all subsectors) Market infrastructure providers (all subsectors)	Paragraphs 360–370
Registration application services	Responsible entities Registered liquidators Registered company auditors	Paragraphs 360–366 Paragraphs 371–372
Compliance review of documents lodged with ASIC (such as a prospectus or other compliance document)	Companies (all subsectors) AFS licensees (all subsectors)	Paragraphs 373–378
Requests for changes to market operating rules	Market infrastructure providers	Paragraph 379
Assessment of applications for relief	All sectors and subsectors	Paragraphs 380–386

ASIC's licensing and registration responsibilities

360 Our regulatory mandate includes licensing or otherwise authorising people to operate or participate in the markets and industries that we regulate. In performing our statutory licensing and registration responsibilities, we play an important role in promoting trust and confidence in the financial services industry by ensuring applicants meet minimum statutory standards.

361 ASIC's various statutory licensing and registration responsibilities are undertaken within three particular areas of ASIC. Applications for AFS licences, credit licences and professional registration are assessed by our Licensing team. Our Market Infrastructure team is responsible for assessing applications for Australian market licences, CS facility licences, new Australian derivative trade repositories and financial benchmark administrators. Applications to register a managed investment scheme are assessed by our Investment Managers team.

AFS and credit licensing and professional registration

362 Our Licensing team's role is to assess whether a new applicant meets certain minimum statutory standards for AFS and credit licensing or professional registration (with the exception of the registration of registered liquidators which is done by independent committee). Each application is subject to a detailed and rigorous assessment. This is to ensure that only suitable persons and organisations are licensed or registered, and that applicants are only licensed to provide financial and credit services and products that they are competent to provide. We have adopted a 'whole of ASIC' approach to assessing licensed and professional registered bodies, which involves considering all of the information known to ASIC and any other information collected from the public or other regulatory bodies.

363 As a result of our assessment, licensing or registration applications may be:

(a) *rejected*—applications may be rejected for lodgement because they are manifestly defective and information and content included in the application does not meet the minimum standards;

(b) *withdrawn*—during our assessment we may provide feedback and requisition further information from the applicant. This may cause the applicant to withdraw their application, rather than proceed;

(c) *approved*—applications may be assessed as meeting the requirement to obtain a licence or licence variation, or for professional registration;

(d) *modified*—applications may result in the granting of a licence that is different from that applied for, or that has additional conditions imposed on it. For example, we might:

  (a) impose a key person requirement, require a compliance consultant to be appointed, or tailor a special condition to limit the scope of the activity authorised under the licence; or

  (b) approve a range of financial services or financial products that the applicant is allowed to offer that is narrower than that applied for; or

(e) *refused*—applications may be refused because we are not satisfied that the statutory requirements for granting a licence or registration have been met.

364 In addition to applying for new licences, existing licensees may apply to vary their licence to undertake more, or fewer, financial or credit services. Such variations may be the result of changes in a licensee's business activities or in response to changes in organisational competence. For example, a licensee may wish to expand the scope of its financial services or credit activities or the financial products it deals in or advises on.

365 The regulatory outcomes set out at paragraph 363 apply equally to applications for a variation to an existing licence.

366 There is a narrower range of regulatory outcomes in the regime for professional registrations, given the reduced scope for tailoring registrations or imposing conditions on registrants compared with licensees.

Financial markets, CS facilities, financial benchmarks and trade repositories

367 Our Market Infrastructure team is responsible for assessing licence applications for new financial markets, CS facilities, trade repositories and financial benchmark administrators. The team also assesses applications from entities seeking exemptions from some or all of the licensing requirements.

368 The Corporations Act sets out the Australian market licensing regime (Pt 7.2), the CS facility licensing regime (Pt 7.3), the financial benchmark administrator licensing regime (Pt 7.5B) and the licensing regime for trade repositories (Pt 7.5A). The Corporations Act also empowers the Minister (or ASIC as a delegate of the Minister) to exempt a financial market, CS facility, trade repository and benchmark administrator from one or more of the licensing requirements. While we receive significantly less of these types of applications than applications for AFS and credit licences, they are typically larger and involve a higher degree of complexity in assessment.

369 When we assess these licence applications, our objective is to facilitate effective capital formation and risk management, to drive good consumer and investor outcomes, and maintain the trust and integrity in the Australian financial system. This helps achieve our vision for a fair, strong and efficient financial system for all Australians.

370 To achieve this objective we may reject, approve, modify or refuse a licence application. We may modify the application by imposing additional conditions. For example, we might impose a condition on the licence that the licensee must:

(a) not commence operating the market until they have provided evidence that they have adequate financial resources to cover the projected cash outflows for the first six months of operation of the market; or

(b) confirm to ASIC in writing that it has employed or engaged all necessary people in all of the positions described in the application and that as a result has sufficient human resources to operate the market properly in accordance with its obligations under the Corporations Act.

Registration of a managed investment scheme

371 When an application to register a managed investment scheme is lodged with ASIC, our Investment Managers team will assess whether it complies with s601EA of the Corporations Act. We must register the scheme within 14 days of lodgement unless it appears to us that the application does not meet one or more of the requirements.

372 In assessing an application to register a scheme we may seek clarification about specific provisions in the scheme's constitution or require further information about the compliance plan. We may also ask for amendments to specific provisions in the constitution if they do not appear to comply with the requirements in the Corporations Act. If it appears to us that the application does not comply with s601EA, and a responsible entity or its advisers are unwilling or unable to amend the application or provisions as required within this 14-day period, we will refuse to register the scheme.

Compliance review of documents lodged with ASIC

373 We undertake compliance reviews of a number of documents related to commercial transactions to promote good consumer and investor outcomes and maintain trust and integrity in the financial system. In reviewing these documents we are concerned with identifying disclosure deficiencies and whether the disclosure complies with the law.

374 Compliance reviews of documents are primarily carried out by our Corporations team and Investment Managers team. These teams concurrently consider any relief sought to facilitate the transactions, as appropriate. In addition, we monitor the conduct of entities party to these transactions for compliance with requirements of the Corporations Act.

375 The types of documents that we review for compliance include:

(a) fundraising offers that require a disclosure document to be lodged with ASIC;

(b) PDSs that must be lodged with ASIC;

(c) control transactions, including takeover bids, court-ordered schemes of arrangement, and other acquisitions to be approved by shareholders or members (including in trust schemes); and

(d) related party transactions.

376 We do not conduct a compliance review of every document lodged with ASIC. In some cases we employ a risk methodology to identify the documents that we will target for review.

377 We will intervene to protect investors if, in a compliance review of a document, we identify disclosure or conduct issues that may undermine market integrity and investor outcomes.

378 The regulatory outcomes we may achieve through compliance reviews of documents include:

(a) corrective disclosure lodged with ASIC and provided to investors;

(b) structural changes to the form of a transaction, so that unacceptable circumstances are remedied and the transaction proceeds in a manner consistent with the principles in the Corporations Act;

(c) identification and removal or rectification of misleading advertising;

(d) stopping the transaction, in some instances using ASIC's stop-order powers; or

(e) if we are unable to resolve our concerns, we may take other action, including applying to the Takeovers Panel for a declaration of unacceptable circumstances or to the court for orders under s1324 or 1325A of the Corporations Act.

Requests for changes to market operating rules

379 Market and CS facility licensees have an ongoing statutory obligation to inform ASIC of any changes to the operating rules of a licensed market or licensed CS facility. Our Markets teams assess these changes in light of the licensee's obligations and the potential effect of the changes on the operation of the facility they are licensed to operate. Where required, the Markets teams will provide a recommendation to the Minister or their delegate about whether all, or a specified part, of the change to the operating rules should be disallowed.

Assessment of applications for relief

380 We have discretionary powers to grant relief from certain provisions of:

(a) the Corporations Act;

(b) the SIS Act;

(c) the National Credit Act; and

(d) the *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009*.

381 The relief includes exemptions from and modifications to the provisions of these Acts. The provisions of the Corporations Act where we most frequently exercise ASIC's discretionary powers involve financial reporting, takeovers, fundraising, managed investment schemes, licensing and disclosure requirements for financial products. By granting appropriate relief, we allow the law to be flexible in its application, address unintended consequences of the law, and facilitate innovation.

382 We will consider and determine all applications for relief based on the facts, circumstances and merits of each individual application. In determining a particular application, we will take into account:

(a) our vision and regulatory objectives (see paragraphs 10–12);

(b) any considerations that we are required to take into account under the law;

(c) the statutory context in which the discretionary power to grant relief appears, and the subject, matter, scope and purpose of the provisions of which it forms part;

(d) any relevant policy we have published and the underlying principles of that policy;

(e) the regulatory consequences that would flow from granting the relief on the conditions proposed, including whether:

  (i) strict compliance with the provisions in the legislation would be impossible or disproportionately burdensome; and

  (ii) consumers would still have the protection intended by Parliament; and

(f) our procedural fairness obligations to third parties.

383 We also attempt to achieve two broad objectives—consistency and definite principles. For more detail on our general approach to applications for relief please see Regulatory Guide 51 *Applications for relief* (RG 51).

384 Generally, an application for relief that is made in accordance with ASIC's existing policy will take less time to consider than an application that raises novel issues. Novel issues are those that require ASIC to formulate substantive new policy, because they:

(a) raise new policy considerations;

(b) involve more than the application of existing policy (legislative policy or ASIC policy) to new situations; or

(c) involve a significant change to, or reversal of, existing ASIC policy.

385 When considering a novel issue, we:

(a) may obtain internal legal advice on the relief sought;

(b) will consider the policy implications of the application, to determine whether the relief should be granted and, if so, on what conditions (this may involve liaising internally on policy issues and may take time); and

(c) may also seek public comment.

386 The additional costs associated with novel applications over and above the flat fee will be recovered under the industry funding levies. We recover the additional costs associated with novel applications for relief under the industry funding levies because:

(a) novel applications often have a wider industry benefit, by drawing our attention to the need for regulatory change or clarification where there are unintended consequences of the law;

(b) the significantly higher costs associated with novel applications for relief may deter applicants from seeking relief regarding areas of law where regulatory change is desirable; and

(c) a subsequent decrease in novel applications may mean that individually, entities face an increased regulatory burden and, industry wide, innovation and new policy development is hindered.

Activities that are excluded from fees for service

Certain lodgement fees

387 The fee for lodgement of certain forms are not recovered under fees for service. We have determined that we previously collected lodgement fees on approximately 60 forms, the funds of which were used to support work across an industry, rather than activities undertaken for an individual entity. An example of this is the lodgement of annual compliance certificates for credit licensees. In these cases, we no longer charge fees on lodgement and these activities are funded by the ongoing industry funding levies.

Registry business

388 We operate a registry business, which maintains data on the 31 registers for which we are responsible. For example, our registry business provides information about Australian companies, business names, AFS licensees, credit licensees and other persons registered with ASIC.

389 The costs associated with our registry business, including indirect costs, will not be recovered through the industry funding model. The fees attached to ASIC forms relating to updating an ASIC registry database will not be cost recovered under the Australian Government Charging Framework. The fees for lodging these forms will continue to be set separately as a general tax, meaning the benefits to particular individuals as a result of these services are not typically distributed in proportion to the taxation payments made by those individuals.

M Policy and statutory authority for fees for service

Key points

Our regulatory costs will be recovered from all the industry sectors we regulate through a combination of cost recovery levies, statutory levies and fees for service.

The legislative framework for fees for service is established by five pieces of legislation:

- the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*;
- the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*;
- the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*;
- the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*; and
- the Treasury Laws Amendment (ASIC Fees) Regulations 2018.

Government policy approval for fees for service

390 On 20 April 2016, the Australian Government announced that it would introduce an industry funding model for ASIC.

391 We recover our regulatory costs from all the industry sectors we regulate, through a combination of:

(a) industry funding levies (see Part 1 of this CRIS); and

(b) fees for service, for user-initiated and transaction-based activities where we provide a specific service to individual entities.

392 The second phase of the industry funding model—the introduction of fees for service—is contained in the following legislation, which passed both Houses of Parliament and was assented to by the Governor-General on 28 June 2018:

(a) the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*;

(b) the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*;

(c) the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*;

(d) the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*; and

(e) the Treasury Laws Amendment (ASIC Fees) Regulations 2018.

Statutory authority for fees for service

393 The fees-for-service regime is established by:

(a) the Treasury Laws Amendment (ASIC Fees) Regulations 2018, which amended the Corporations (Fees) Regulations 2001 (Fees Regulations), the National Consumer Credit Protection (Fees) Regulations 2010 and the Superannuation Auditor Registration Imposition Regulation 2012 to:

(i) prescribe the cost recovery fees we can charge for services we provide to a specific entity;

(ii) repeal the fees for our regulatory activities that will be funded by the industry funding levies;

(iii) tier fees, to ensure the fees reflect the complexity of the service and, therefore, our effort in providing the service;

(iv) update the hourly rate that we charge for certain services to ensure the rate reflects our costs; and

(v) ensure only registration fees continue to be indexed for inflation;

(b) the *Corporations (Fees) Amendment (ASIC Fees) Act 2018*, which amended the *Corporations (Fees) Act 2001* to:

(i) enable ASIC to charge tiered fees, based on whether a chargeable matter is low, medium or high complexity;

(ii) increase the statutory caps on fees so we can recover the costs we incur; and

(iii) enable ASIC to charge a different fee for certain chargeable matters based on the type of entity;

(c) the *Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018*, which made minor amendments to the SIS Act to allow ASIC to charge fees for applications to vary or revoke the conditions or cancel the registration of an approved SMSF auditor;

(d) the *National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018*, which amended the National Credit Act to allow ASIC to charge different fees depending on:

(i) whether or not the applicant is an individual; and

(ii) the credit activities they engage in;

(e) the *Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018*, which amended the *Superannuation Auditor Registration Imposition Act 2012* to increase the maximum amount of the fee that can be prescribed in the regulations so we can recover the costs we incur when providing regulatory services to SMSF auditors.

N Fees-for-service model

Key points

The fees for service are calculated based on forecast costs and historical workflow analysis, rather than the actual cost of providing the service to the applicant.

We have adopted tiered fees for service for our regulatory activities that vary in complexity. This will help ensure the fees for service more closely align with our actual effort and, therefore, costs.

Fees for service will be reviewed periodically to ensure they remain current and reflective of effort.

Fees-for-service methodology

394 The methodology for calculating the costs for fees-for-service activities is based on the Cost Recovery Guidelines. We have broken down each of our regulatory activities into distinct outputs and the key business processes that are used to produce those outputs. We then identified the relevant costs and attributed those costs to the outputs and processes.

Step 1: Outputs and business process of the activity

395 Our fees-for-service activities can be broadly categorised as follows:

(a) licensing application or variation services;

(b) registration application and renewal services;

(c) compliance review of documents lodged with ASIC;

(d) requests for changes to market operating rules; and

(e) assessing applications for relief (see Table 77).

396 A regulatory form is lodged with ASIC for each fees-for-service activity. For each of these forms we have used workflow analysis to break down the regulatory activity into distinct outputs and the key business processes. Examples of the business process involved in the assessment and processing of three applications are set out in Table 78, Table 79 and Table 80.

Step 2: Costing the activity

397 Once we have identified the business process for our fees-for-service activity, the relevant costs need to be identified and attributed to the business process. We attribute the costs using a weighted average hourly rate. The hourly rate is calculated for each team involved in the business process and includes indirect costs (made up of property, IT and corporate services costs), apportioned according to average FTE staff.

398 The weighted average hourly rate for each of our regulatory teams is calculated to ensure we comply with the Cost Recovery Guidelines and only recover efficient costs, which are defined as ‘the minimum costs necessary to provide the activity while achieving the policy outcomes and legislative functions of the Australian Government’: see paragraph 83 of the Cost Recovery Guidelines.

399 Our teams are not structured identically, and comprise a varying mix of staff at different levels of seniority and at different salary bands within those seniority levels. Therefore, we have not set a standard hourly rate for the agency as a whole, but instead have calculated weighted average hourly rates in accordance with the specific profile of the different teams.

400 In some cases more than one team contributes to a regulatory activity, and different weighted average hourly rates are applied to capture our efficient costs of the activity.

The fee amount

401 The total fee amount is determined by multiplying the weighted average hourly rate by the regulatory effort (i.e. the average number of hours) required to assess and process each form.

Example of calculating fees for service for multiple team regulatory effort

402 Table 78 sets out an example of the methodology for calculating the costs for fees for service for an application involving regulatory effort by more than one of our teams.

403 Our Licensing team and our Financial Reporting and Audit team are involved in the assessment of an application for registration as an authorised audit company. To determine the efficient costs associated with this application, the weighted average hourly rate for the Licensing team is multiplied by the average time spent by the Licensing team to process a registration. The same calculation is performed for the Financial Reporting and Audit team. These amounts are added together to get the total cost that is charged for the activity.

404 The weighted average hourly rates are calculated as fully loaded annual salary under our enterprise agreement, plus indirect costs reflecting the composition of the particular team’s FTE staff.

405 Table 78 also sets out our estimates for direct and indirect costs for each step in the business process. The direct and indirect costs are added together to get the total cost.

Table 78: Example 1—Application for registration as an authorised audit company

Licensing team

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents.	Nil	Nil	Nil	Nil	Nil
An analyst is assigned the application and will initially review it at a high level to determine if the applicant provided the required information. If the application was incomplete, it may be rejected and not accepted for lodgement.	$158	$99	2	$128.44	$257
If accepted, the analyst will review the application to determine the scope of the assessment process and whether the analyst should consult ASIC's specialist supervisory teams about the application. The analyst will review the application and supporting documentation in detail. The analyst may also requisition the applicant and need to assess further supporting information.	$711	$445	9	$128.44	$1,156
The analyst assesses whether ASIC is satisfied that the applicant is capable of performing the duties of an auditor (including meeting the auditing competency standards or having the requisite practical experience) and is a fit and proper person to be registered as an auditor. The analyst will document their assessment of the material in an assessment worksheet. This worksheet is subject to supervisor review.	$158	$99	2	$128.44	$257
If the application is to be refused, we send a detailed statement of concerns to the applicant. The applicant may contest the analyst's concerns or withdraw their application. If the application is contested, the analyst prepares a detailed brief to be reviewed by a senior person before the matter is referred to an ASIC delegate, who will convene an administrative hearing to provide the applicant an opportunity to be heard before final determination by the ASIC delegate.	$158	$99	2	$128.44	$257
Total fee for Licensing team					**$1,927**

Financial Reporting and Audit team

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
The team provides technical advice on applications for registration of company auditors.	$277	$118	2.5	$158.18	$395
The team reviews whether the applicant has complied with the requirements of Regulatory Guide 180 *Auditor registration* (RG 180).	$444	$189	4	$158.18	$633
In certain cases, the team will obtain and review audit engagement files to ascertain the capability of the applicant to be registered.	$332	$142	3	$158.18	$474
Total fee for Financial Reporting and Audit team					**$1,502**

Total fee

Team	Total
Licensing team	$1,927
Financial Reporting and Audit team	$1,502
Total fee	**$3,429**

Note 1: All totals are rounded to the nearest dollar.

Note 2: The weighted average hourly rate is calculated as fully loaded annual salary as per the enterprise agreement plus indirect costs for a particular team's FTE composition, divided by working hours in a year, on an 80% utilisation rate.

Note 3: The time allocated for each step in the business process is an average allowance. The actual time taken will depend on the application. For example, we have allowed two hours under the business process if the application is refused; however, this step can take up to 85 hours if the decision is contested by the applicant.

Tiered fees for service

406 Under our fees-for-service model, the fees payable may not match our exact costs in all cases. This is particularly likely for fees-for-service activities that can vary widely in their complexity, such as a notice of changes to operating rules. In these cases we found there was considerable variance in the actual business process for the fees-for-service activity. To address this concern, the model adopts a more granular approach to determine the fees payable based on the complexity of the application. This will ensure entities pay the appropriate fee based on the complexity of the transaction for the service we provide and allow ASIC to closely recover the actual cost.

407 We will tier these fees to reflect the regulatory effort associated with the fees-for-service activities. We have applied tiered fees based on complexity for the following regulatory activities:

(a) AFS licence applications;

(b) credit licence applications;

(c) Australian market licence applications;

(d) notices of changes to market and CS facility operating rules; and

(e) CS facility licence applications.

408 The Australian Government also consulted on proposals to introduce new tiered fees for applications to vary or revoke conditions imposed on CS facility licences and market licences. These amendments commenced on 1 April 2019.

409 The complexity of an AFS licence application will be determined based on the applicant type and the financial service and product authorisation the applicant is seeking. Australian market licence applicants will be directed to contact a member of our Market Infrastructure team when submitting an application for a preliminary assessment of the complexity of the application.

410 The criteria we will apply to determine the complexity of an application is set out in ASIC (Fees—Complexity Criteria) Instrument 2018/578.

Examples of calculating tiered fees for service

411 Table 79 and Table 80 set out an example of the methodology for calculating the costs for fees for service for an application involving tiered fees reflecting the different levels of complexity. The AFS licence application has been divided into two levels of complexity: low and high.

412 To determine the efficient cost of assessing an application for an AFS licence, the weighted average hourly rate for the Licensing team is multiplied by the average time spent processing the application. The level of complexity of the application determines the seniority of the staff working on the application

and the average time taken to assess the application. For example, more experienced and qualified staff will assess a highly complex application, resulting in a higher hourly rate, and the assessment will, on average, take longer to finalise.

413 Table 79 and Table 80 also set out our estimates for direct and indirect costs for each step in the business process. The direct and indirect costs are added together to get the total cost.

Table 79: Example 2—Application for an AFS licence (retail other than an individual)—High complexity

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents. The greater the complexity of the application, the greater the volume of material that will be included in the initial submission. Similarly, a body corporate applicant will typically submit more documentation than an individual—like information on multiple directors and responsible managers, which includes information on their good fame and character.	Nil	Nil	Nil	Nil	Nil
A manager will identify that the applicant has requested high-complexity products and/or services and assign the application. An analyst will initially review the application to determine if the applicant provided the required information (based on the authorisations selected and the responsible managers nominated by the applicant). If the application is incomplete it may be rejected and not accepted for lodgement. If it is not accepted, the analyst typically discusses the deficiencies with the applicant and how to address them, followed by written confirmation.	$601	$376	7	$139.57	$977
If the application is accepted, the analyst will review it to determine the scope of the assessment process. This will include more in-depth analysis of obligations or risks applicable to higher complexity applicants, such as: • additional financial resources or insurance coverage; • client money and scheme property handling procedures; and • dealing (as principal) in derivatives or in other products on behalf of clients on a discretionary basis. This process is more likely to involve the analyst consulting with their supervisor or one of ASIC's specialist supervisory teams on the application. The analyst will review the application and supporting documentation in detail to confirm that the applicant meets the licensing criteria. The analyst will likely requisition the applicant and need to assess further supporting information. This usually involves both phone and written correspondence.	$2,833	$1,773	33	$139.57	$4,606

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rate (D)	Total (A+B or CxD)
The analyst assesses whether the applicant can comply with its obligations as a licensee (including the competence of the nominated responsible managers), which are more extensive than for applicants seeking low-complexity authorisations. The analyst will document their assessment of the material in an assessment worksheet, which is subject to supervisor review. The analyst will consider feedback from the supervisor on their assessment. The analyst will undertake final intelligence checks before confirming their approval decision to the applicant in writing, and issuing a licence certificate to the applicant.	$601	$376	7	$139.57	$977
If the application is to be refused, the analyst prepares a detailed brief to be reviewed by a senior person before the matter is referred to an ASIC delegate, who will convene an administrative hearing to provide the applicant an opportunity to be heard before final determination by the ASIC delegate.	$601	$376	7	$139.57	$977
Total fee					**$7,537**

Table 80: Example 3—Application for an AFS licence (retail other than an individual)—Low complexity

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rates (D)	Total (A+B or CxD)
We receive an application into our workflow systems, which includes the submission of an electronic form and supporting proof documents. The lower the complexity of the application, the lower the volume of material that will be included in the initial submission.	Nil	Nil	Nil	Nil	Nil

Business process	Direct costs (A)	Indirect costs (B)	Average hours (C)	Weighted average hourly rates (D)	Total (A+B or CxD)
A manager will identify that the applicant has requested low complexity products and/or services and assign the application. An analyst will initially review the application to determine if the applicant provided the required information (based on the authorisations selected and the responsible managers nominated by the applicant). If the application is incomplete, it may be rejected and not accepted for lodgement. If not accepted the analyst typically discusses the deficiencies with the applicant and how to address them, followed by written confirmation.	$305	$191	4	$124.04	$496
If the application is accepted, the analyst will review it to determine the scope of the assessment process. This process may involve the analyst consulting with their supervisor or one of ASIC's specialist supervisory teams in relation to the application. The analyst will review the application and supporting documentation in detail to confirm that the applicant meets the licensing criteria. The analyst may requisition the applicant and need to assess further supporting information. This usually involves both phone and written correspondence.	$1,373	$860	18	$124.04	$2,233
The analyst assesses whether the applicant is capable of complying with its obligations as a licensee (including the competence of the nominated responsible managers). The analyst will document their assessment of the material in an assessment worksheet. This worksheet is subject to supervisor review. The analyst will consider feedback from the supervisor on their assessment. The analyst will undertake final intelligence checks before confirming their approval decision to the applicant in writing, and issuing a licence certificate to the applicant.	$305	$191	4	$124.04	$496
If the application is to be refused, the analyst prepares a detailed brief to be reviewed by a senior person prior to it being referred to an ASIC delegate who will convene an administrative hearing to provide the applicant an opportunity to be heard prior to final determination by the ASIC delegate.	$305	$191	4	$124.04	$496
Total fee					**$3,721**

Cost breakdown of our regulatory activities

414 Table 81 sets out the cost breakdown estimates for direct costs, indirect costs and capital costs for each of our regulatory activities where costs will be recovered through fees for service. These estimates are based on the average volume of applications received over the previous three years.

Table 81: Cost breakdown estimates for our regulatory activities

Fees-for-service activities	Direct costs	Indirect costs	Capital costs	Total costs
Licence applications or variations	$2.544m	$1.603m	N/A	$4.147m
Registration application services	$1.358m	$0.654m	N/A	$2.012m
Compliance review of documents	$2.512m	$1.141m	N/A	$3.654m
Requests for changes to market operating rules	$0.079m	$0.033m	N/A	$0.111m
Assessment of applications for relief	$3.976m	$1.935m	N/A	$5.911m
Total costs to be recovered	**$10.469m**	**$5.367m**	**N/A**	**$15.836m**

O Risk assessment for fees for service

Key points

The potential risks of the fees-for-service model include:

- the perception that the model lacks transparency about the basis of the fees;
- the fees for service may not match our actual regulatory costs;
- uncertainty about the classification of tiered fees; and
- the tiered fees could result in some entities being subject to a large increase in fees if they fall within the complex category.

Risks can be appropriately mitigated and managed by increasing the level of consultation and communication with stakeholders to ensure maximum transparency and understanding.

415 We have assessed the fees-for-service model as medium risk under the Australian Government Regulatory Charging Risk Assessment (PDF 196 KB). Charging a fee for the lodgement of forms with ASIC is not new. There is a change, however, in the complexity and materiality of those fees. Overall the setting of the fees for service and the subsequent collection is moderately complex.

416 The potential risks arising from the model and how we will mitigate those risks, are set out in Table 82.

Table 82: Mitigation of risks arising from the introduction of fees for service

Risk	Mitigation
The perception that the model lacks transparency about the basis of the fees	Information about fees for service and the methodology for calculating the fees is included in this CRIS and will be published in future versions of the CRIS. In addition, we will consult on our fees every three years. Determining the fees every three years will provide certainty for regulated entities and provide an incentive for ASIC to ensure that we are delivering our services at an efficient cost. Consultation may need to occur earlier if there is an unforeseen change to the work required to provide a particular fee for service activity or if there appears to be a material variation between the actual costs of undertaking the activities and the fees charged. We will report on our actual costs in the financial performance section of this CRIS: see Section Q.

Risk	Mitigation
The fees for service may not match our regulatory costs	Under our fees-for-service model, the fees payable may not match our exact costs in all cases because of the *ex-ante* nature of the model—that is, the fees are based on forecast costs and historical workflow analysis, rather than the actual cost of providing the service. This is particularly likely for fees-for-service activities that can vary widely in their complexity, such as a notice of changes to operating rules. We will tier these fees based on the complexity of the application to more accurately reflect our regulatory costs. The fees will also be reviewed at a minimum of every three years to ensure they are reflective of costs and ensure that investments in technology and process improvements are reflected in the fees in a timely manner.
Uncertainty about the classification of tiered fees	We made ASIC (Fees—Complexity Criteria) Instrument 2018/578, which specifies the criteria for whether certain applications and notices are of low, medium or high complexity for the purposes of fees for service. The instrument enables applicants to understand which 'category' they fall under, and therefore which fee they will be expected to pay. Applicants for a market licence will also be directed to contact a member of our Market Infrastructure team for a preliminary assessment of complexity.
The tiered fees could result in some entities being subject to a large increase in fees if they fall within the complex category	The Australian Government Charging Framework includes a Charging Policy Statement that underpins all Australian Government charging. It provides that 'where specific demand for a government activity is created by identifiable individuals or groups they should be charged for it unless the Government has decided to fund that activity': see *Australian Government Charging Framework: Resource Management Guide No. 302*. The tiered fees are designed to comply with this principle. We can apply tiered fees to reflect our regulatory effort where there is considerable variance in the actual process or assessment This will ensure: • entities pay the appropriate fee, based on the complexity of the transaction for the service we provide; and • we can closely recover our true cost.

PART 3 CRIS engagement and evaluation

417 Part 3 of this CRIS sets out:

(a) the stakeholder engagement undertaken for this CRIS and the industry funding and fees-for-service models (see Section P);

(b) how we measure our financial and non-financial performance (see Section Q)

(c) the key events and estimated dates (see Section R); and

(d) the CRIS approval and change register (see Section S).

P Stakeholder engagement

Key points

This section outlines the most recent engagement with stakeholders on the industry funding model, including:

- our stakeholder engagement on this CRIS; and
- the Australian Government's consultation on industry funding levies and fees for service.

Stakeholder engagement on the CRIS

418 We have published this version of the CRIS for comment. Submissions close on 24 July 2020. We will take into account stakeholder feedback when preparing the final CRIS.

Stakeholder consultation on industry funding levies

419 The Australian Government has previously undertaken extensive consultation to develop and refine the industry funding model. Treasury consulted on the development of the industry funding model in August 2015 and again in November 2016. Exposure draft legislation was released for public consultation in 2017. Treasury also conducted roundtable meetings with various stakeholder groups.

420 The Australian Government also conducted public consultation on the Cost Recovery Levy Regulations in May 2017, and again on amendments to the regulations in April 2018. In January 2019, the Government consulted on further amendments to the Cost Recovery Levy Regulations, including the introduction of a new subsector for entities subject to close and continuous monitoring: see the exposure draft of the Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019.

Stakeholder consultation on the fees-for-service model

421 The Australian Government also led the consultation with industry to refine and settle the fees-for-service model.

422 In August 2015, the Government released the consultation paper, *Proposed industry funding model for the Australian Securities and Investments Commission*. Treasury also held a number of stakeholder meetings and

roundtables to refine aspects of the model. To address feedback received, the implementation of the fees-for-service proposal was delayed to allow time to refine the model by gathering further data to support the pricing of fees.

423 In November 2017, the Government released the consultation paper, *Introduction of Australian Securities and Investments Commission's fees-for-service under the industry funding model*. The consultation paper contained a revised model for fees for service, reflecting feedback from the previous consultation, including:

(a) the introduction of a tiered fee system for many activities, so that the amount of the fee more accurately reflects the complexity of the activity; and

(b) the removal of fees for novel relief applications, recognising the industry-wide benefits that often result from these activities.

424 In April 2018, the Government consulted on the exposure draft legislation to implement fees for service. On 22 January 2019, the Government released the exposure draft of the Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 for consultation.

Q Financial and non-financial performance

Key points

This section sets out the variance between actual costs incurred in 2018–19 and our estimates in the industry levies CRIS. We explain any material variance by subsector.

We measure how well ASIC is performing by evaluating the outcomes we achieve against a number of benchmarks, which include qualitative and quantitative measures of our performance.

We publish a number of reports to provide greater transparency and understanding of our regulatory and fees-for-service activities.

Financial estimates

Industry funding levies

425 In 2019–20, $324.5 million of costs relating to our regulatory activities are expected to be recovered through levies on industry, including $423,000 that was recognised as revenue in 2019–20 but not recovered in 2018–19 for small futures exchange operators: see Table 38.

Table 83: Actual and estimated expenses, revenue, balances and cumulative balances

Figure type	Actual figure for 2018–19	Estimates for 2019–20	Estimates for 2020–21	Estimates for 2021–22
Expenses	$277.4m	$325.2m	$364.6m	$370.5m
Revenue	$276.7m	$324.5m	$364.6m	$370.5m
Balance (revenue minus expenses)	($0.7m)	($0.7m)	Nil	Nil
Cumulative balance	($0.7m)	$0.0m	Nil	Nil

Note: The $0.7m balance carried forward from 2018–19 to 2019–20 represents 2018–19 costs that were not recovered from deregistered companies. This amount is carried forward in accordance with s10(6)(b) of the Cost Recovery Levy Act.

Variance analysis by industry sector

426 Table 84 sets out the actual expenses we incurred in 2018–19 for each sector and subsector and the variance between our estimates in the industry levies CRIS and actual expenses.

427 We continually refine our strategic planning and budgeting processes to ensure that we work efficiently and accurately to identify threats and harms

in our regulated environment and to prioritise the work we need to do to address those threats and harms. This enables us to allocate our resources—including staff and budget—in a strategic way and to minimise the risk of significant deviation from budget.

428 However, we cannot predict all changes in our operating environment and in the conduct of the regulated population, and we maintain flexibility in our resourcing to adapt to new developments. This is likely to result in some variance between our budgeted costs and our actual costs over the year. For instance, in the context of enforcement, we may necessarily have to shift or strengthen our focus in certain areas during the year and we have mechanisms, including the Enforcement Special Account, to adapt to those changes.

429 Where there has been a material variance between the actual costs and the original estimate for 2018–19, we have provided a breakdown of the regulatory activities for the subsector: see Table 85–Table 90.

Table 84: Variance in total regulatory costs recoverable through levies in 2018–19 by industry sector and subsector

All industry sectors

Sector	Actual cost	Estimated cost	Variance
Corporate sector	$84.333m	$82.821m	$1.512m
Deposit taking and credit sector	$31.556m	$35.101m	($3.545m)
Investment management, superannuation and related services sector	$56.864m	$59.124m	($2.259m)
Market infrastructure and intermediaries sector	$51.931m	$49.159m	$2.772m
Financial advice sector	$34.070m	$27.954m	$6.116m
Insurance sector	$14.292m	$15.305m	($1.013m)
Large financial institutions sector	$3.665m	$3.565m	$0.100m
Total regulatory costs recovered through levies	**$276.711m**	**$273.028m**	**$3.683m**

Corporate sector

Subsector	Actual cost	Estimated cost	Variance
Listed corporations	$63.825m	$62.923m	$0.902m
Unlisted public companies	$1.631m	$1.542m	$0.089m
Large proprietary companies	$5.060m	$3.994m	$1.066m

Subsector	Actual cost	Estimated cost	Variance
Auditors of disclosing entities	$5.628m	$6.248m	($0.620m)
Registered company auditors	$0.850m	$0.967m	($0.117m)
Registered liquidators	$7.338m	$7.146m	$0.192m
Total regulatory costs recovered through levies	**$84.333m**	**$82.821m**	**$1.512m**

Note: The estimated costs in this table differ from those given in the industry levies CRIS because they do not include $10.3m to regulate small proprietary companies. These costs are not recovered under industry funding levies: see paragraphs 90–91.

Deposit taking and credit sector

Subsector	Actual cost	Estimated cost	Variance
Credit providers	$19.754m	$22.748m	($2.994m)
Small amount credit providers	$1.319m	$1.261m	$0.057m
Credit intermediaries	$6.578m	$5.657m	$0.921m
Deposit product providers	$2.858m	$4.019m	($1.160m)
Payment product providers	$0.920m	$1.258m	($0.338m)
Margin lenders	$0.127m	$0.158m	($0.031m)
Total regulatory costs recovered through levies	**$31.556m**	**$35.101m**	**($3.545m)**

Investment management, superannuation and related services sector

Subsector	Actual cost	Estimated cost	Variance
Superannuation trustees	$17.235m	$13.725m	$3.510m
Responsible entities	$25.894m	$29.621m	($3.726m)
Wholesale trustees	$9.612m	$10.831m	($1.219m)
Custodians	$0.945m	$1.042m	($0.097m)
Investor directed portfolio services operators	$1.636m	$2.029m	($0.393m)
Managed discretionary account providers	$1.426m	$1.209m	$0.217m
Traditional trustee company service providers	$0.117m	$0.668m	($0.551m)
Total regulatory costs recovered through levies	**$56.864m**	**$59.124m**	**($2.259m)**

Market infrastructure and intermediaries sector

Subsector	Actual cost	Estimated cost	Variance
Large securities exchange operators	$4.466m	$4.468m	($0.002m)

Subsector	Actual cost	Estimated cost	Variance
Large futures exchange operators	$1.260m	$1.661m	($0.400m)
Small futures exchange operators	$0.423m	$0.548m	($0.124m)
Small securities exchange operators with self-listing function only	$0.020m	$0.027m	($0.006m)
Small securities exchange operators	$0.671m	$0.553m	$0.118m
New specialised market operators	$0.127m	$0.035m	$0.093m
Established specialised market operators	$0.618m	$0.429m	$0.189m
Overseas market operators	$0.832m	$1.736m	($0.904m)
Exempt CS facility operators	$0.029m	$0.018m	$0.011m
Tier 1 CS facility operators	$1.868m	$1.784m	$0.084m
Tier 2 CS facility operators	$0.203m	$0.205m	($0.002m)
Tier 3 CS facility operators	$0.092m	$0.080m	$0.012m
Tier 4 CS facility operators	$0.016m	$0.027m	($0.011m)
Australian derivative trade repository operators	$0.486m	$0.303m	$0.183m
Exempt market operators	$0.493m	$0.085m	$0.407m
Credit rating agencies	$0.167m	$0.268m	($0.101m)
Large securities exchange participants	$16.242m	$16.744m	($0.502m)
Large futures exchange participants	$2.169m	$3.827m	($1.658m)
Securities dealers	$2.465m	$1.594m	$0.871m
Corporate advisers	$5.916m	$4.425m	$1.491m
OTC traders	$7.877m	$4.584m	$3.294m
Retail OTC derivatives issuers	$4.848m	$5.366m	($0.518m)
Benchmark administrators	$0.560m	$0.268m	$0.292m
Wholesale electricity dealers	$0.082m	$0.125m	($0.042m)
Total regulatory costs recovered through levies	**$51.931m**	**$49.159m**	**$2.772m**

Financial advice sector

Subsector	Actual cost	Estimated cost	Variance
Licensees that provide personal advice to retail clients on relevant financial products	$33.028m	$25.031m	$7.997m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$0.125m	$1.232m	($1.108m)
Licensees that provide general advice only	$0.737m	$0.836m	($0.099m)
Licensees that provide personal advice to wholesale clients only	$0.181m	$0.855m	($0.674m)
Total regulatory costs recovered through levies	**$34.070m**	**$27.954m**	**$6.116m**

Insurance sector

Subsector	Actual cost	Estimated cost	Variance
Insurance product providers	$11.579m	$14.005m	($2.426m)
Insurance product distributors	$2.110m	$1.147m	$0.963m
Risk management product providers	$0.603m	$0.152m	$0.451m
Total regulatory costs recovered through levies	**$14.292m**	**$15.305m**	**($1.013m)**

Large financial institutions sector

Subsector	Actual cost	Estimated cost	Variance
Entities subject to close and continuous monitoring	$3.665m	$3.565m	$0.100m
Total regulatory costs recovered through levies	**$3.665m**	**$3.565m**	**$0.100m**

Variance analysis by regulatory activity

430 Table 85–Table 90 explain the variance between actual and estimated costs by regulatory activity for each of the subsectors with a material variance in 2018–19. A variance is considered material if the difference between the total actual costs and the estimated costs for the subsector are greater than 10% of the estimated costs and greater than $2 million in total.

Credit providers

431 Table 85 breaks down the difference between actual and estimated costs for each of our regulatory activities for the credit providers subsector. The actual costs for this sector in 2018–19 was $3 million (13%) less than the estimated costs.

432 Total enforcement costs were lower than budgeted as a number of matters came to a close and there were reduced costs associated with staff and external service providers for these matters. Enforcement efforts on some matters in the subsector increased during the year—for example, on matters highlighted by the Royal Commission—though the associated increase in costs in the 2018–19 year did not fully offset the matters that came to a close.

433 Indirect costs in this subsector were also lower than budgeted and contributed to the overall difference between actual and budgeted costs.

434 The under recovery of costs in the year relates to deregistered companies. Under and over recovery of costs can occur due to a difference in timing between when entities are registered or de-registered and the notification of these activities: see paragraph 56(c).

Table 85: Analysis for subsectors with a material variance—Credit providers (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$3.409m	$3.600m	($0.191m)
Enforcement	$3.488m	$4.437m	($0.949m)
Financial capability	$1.955m	$1.876m	$0.080m
Other regulatory activities			
Industry engagement	*$0.422m*	*$0.366m*	*$0.056m*
Education	*$0.152m*	*$0.172m*	*($0.019m)*
Guidance	*$0.135m*	*$0.099m*	*$0.037m*
Policy advice	*$0.282m*	*$0.220m*	*$0.063m*
Indirect costs			
Governance, central strategy and legal	*$2.126m*	*$2.058m*	*$0.068m*
IT support	*$1.938m*	*$2.552m*	*($0.615m)*
Operations support	*$1.064m*	*$1.232m*	*($0.168m)*
Property and corporate services	*$2.995m*	*$3.389m*	*($0.394m)*
Total operating expenditure	**$17.967m**	**$19.999m**	**($2.032m)**
Allowance for capital expenditure	$1.879m	$1.348m	$0.531m
Less costs funded by own-source revenue	($0.295m)	($0.620m)	$0.325m
Adjustment for market supervision cost recovery	$0.00m	$0.00m	$0.00m
Adjustment for new policy measures*	$0.00m	$2.005m	($2.005m)

Expense	Actual cost	Estimated cost	Variance
Adjustment for prior year under/(over) recovery	$0.204m	$0.016m	$0.188m
Total costs to be recovered by levy	**$19.754m**	**$22.748m**	**($2.994m)**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities.

Superannuation trustees

435 Table 86 breaks down the difference between actual and estimated costs for each of our regulatory activities for the superannuation trustees subsector. The actual costs for this subsector exceeded our estimated costs by $3.5 million (26%).

436 The variance was primarily due to greater than expected activities in relation to enforcement and the Enforcement Special Account, and our work in responding to the Royal Commission, which included significant engagement with the superannuation industry. The increased activities occurred amid intensified scrutiny on the subsector and they led to higher direct and indirect costs.

Table 86: Analysis for subsectors with a material variance—Superannuation trustees (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$0.797m	$1.442m	($0.646m)
Enforcement	$4.851m	$2.111m	$2.741m
Financial capability	$0.978m	$0.773m	$0.205m
Other regulatory activities			
Industry engagement	*$2.130m*	*$0.079m*	*$2.051m*
Education	*$0.035m*	*$0.043m*	*($0.008m)*
Guidance	*$0.113m*	*$0.225m*	*($0.111m)*
Policy advice	*$0.211m*	*$0.184m*	*$0.026m*
Indirect costs			
Governance, central strategy and legal	*$1.670m*	*$0.683m*	*$0.986m*
IT support	*$1.794m*	*$1.085m*	*$0.709m*
Operations support	*$0.868m*	*$0.533m*	*$0.335m*
Property and corporate services	*$2.478m*	*$1.433m*	*$1.046m*
Total operating expenditure	**$15.925m**	**$8.592m**	**$7.333m**
Allowance for capital expenditure	$1.751m	$0.617m	$1.134m

Expense	Actual cost	Estimated cost	Variance
Less costs funded by own-source revenue	($0.235m)	($0.254m)	$0.019m
Adjustment for market supervision cost recovery	$0.219m	$0.219m	$0.00m
Adjustment for new policy measures*	$0.00m	$4.496m	($4.496m)
Adjustment for prior year under /(over) recovery	($0.426m)	$0.054m	($0.480m)
Total costs to be recovered by levy	**$17.235m**	**$13.725m**	**$3.510m**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities.

Responsible entities

437 Table 87 breaks down the difference between actual and estimated costs for each of our regulatory activities for the responsible entities subsector.

438 The actual costs for the responsible entities subsector was $3.7 million (13%) less than our estimated costs. This was partly due to lower than expected costs associated with enforcement during the year. In particular, the costs associated with the conclusion of a number of large matters were less than anticipated (e.g. lower costs associated with staff and external service providers for these matters). There were also lower costs associated with a number of smaller matters due to external factors (e.g. timing of court processes).

439 There was also an adjustment in relation to over recovery of costs for this subsector, which contributed to the difference between actual and estimated costs. Under and over recovery of costs can occur due to a difference in timing between when entities are registered or de-registered and the notification of these activities: see paragraph 56(c).

Table 87: Analysis for subsectors with a material variance—Responsible entities (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$2.136m	$1.727m	$0.409m
Enforcement	$10.537m	$11.869m	($1.332m)
Financial capability	$1.260m	$0.902m	$0.358m

Expense	Actual cost	Estimated cost	Variance
Other regulatory activities			
Industry engagement	*$0.172m*	*$0.100m*	*$0.072m*
Education	*$0.056m*	*$0.055m*	*$0.001m*
Guidance	*$0.480m*	*$0.265m*	*$0.214m*
Policy advice	*$0.258m*	*$0.216m*	*$0.043m*
Indirect costs			
Governance, central strategy and legal	*$2.245m*	*$1.818m*	*$0.427m*
IT support	*$2.790m*	*$2.561m*	*$0.229m*
Operations support	*$1.363m*	*$1.315m*	*$0.048m*
Property and corporate services	*$3.680m*	*$3.374m*	*$0.306m*
Total operating expenditure	**$24.978m**	**$24.203m**	**$0.775m**
Allowance for capital expenditure	$2.756m	$1.338m	$1.417m
Less costs funded by own-source revenue	($0.951m)	($0.297m)	($0.654m)
Adjustment for market supervision cost recovery	$0.219m	$0.219m	$0.00m
Adjustment for new policy measures*	$0.00m	$4.143m	($4.143m)
Adjustment for prior year under /(over) recovery	($1.107m)	$0.014m	($1.121m)
Total costs to be recovered by levy	**$25.894m**	**$29.621m**	**($3.726m)**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities

OTC traders

440 Table 88 breaks down the difference between actual and estimated costs for each of our regulatory activities for the OTC traders subsector.

441 The actual costs for this subsector exceeded our estimated costs by $3.3 million (72%). This was driven by increased supervision of market intermediaries in OTC markets to identify and address harms to the real economy. The greater level of proactive supervision included intensive reviews of practices, onsite examinations of the FICC business of large market intermediaries, targeted reviews of transactions, monitoring the determination of BBSW, and efforts to improve the quality of OTC derivative transaction reporting.

442 Our work has also included the monitoring of remediation work and compliance with court enforceable undertakings relating to foreign exchange and BBSW.

443 There was an increase in associated direct and indirect costs as a result of our increased regulatory efforts in this subsector.

Table 88: Analysis for subsectors with a material variance—OTC traders (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$2.308m	$1.287m	$1.021m
Enforcement	$0.152m	$0.810m	($0.658m)
Financial capability	$0.00m	$0.00m	$0.00m
Other regulatory activities			
Industry engagement	*$0.771m*	*$0.421m*	*$0.350m*
Education	*$0.035m*	*$0.022m*	*$0.014m*
Guidance	*$0.308m*	*$0.168m*	*$0.140m*
Policy advice	*$0.107m*	*$0.062m*	*$0.045m*
Indirect costs			
Governance, central strategy and legal	*$0.839m*	*$0.250m*	*$0.589m*
IT support	*$0.802m*	*$0.470m*	*$0.332m*
Operations support	*$0.439m*	*$0.245m*	*$0.194m*
Property and corporate services	*$1.208m*	*$0.614m*	*$0.594m*
Total operating expenditure	**$6.969m**	**$4.348m**	**$2.621m**
Allowance for capital expenditure	$0.880m	$0.281m	$0.599m
Less costs funded by own-source revenue	($0.099m)	($0.166m)	$0.067m
Adjustment for market supervision cost recovery	$0.00m	$0.00m	$0.00m
Adjustment for new policy measures*	$0.00m	$0.120m	($0.120m)
Adjustment for prior year under /(over) recovery	$0.128m	$0.001m	$0.127m
Total costs to be recovered by levy	**$7.877m**	**$4.584m**	**$3.294m**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities.

Licensees that provide personal advice to retail clients on relevant financial products

444 Table 89 breaks down the difference between actual and estimated costs for each of our regulatory activities for licensees that provide personal advice to retail clients on relevant financial products.

445 The actual costs for this subsector exceeded our estimated costs by $8 million (32%). This was largely due to the increased focus on the financial advice sector as a result of the recommendations of the Royal Commission. Our increased efforts in relation to enforcement also contributed to the increased costs.

446 In 2018–19, we continued our work in supervising the remediation of customers who had been charged fees for no service. ASIC undertook large-scale supervisory work, which includes overseeing both the compensation programs of six major financial institutions and their reviews to determine whether there were other systemic fees-for-no-service failures. This work has resulted in significant compensation paid, or to be paid, to affected customers, with the banks collectively provisioning around $1.7 billion for remediation for consumers.

447 During 2018–19, in addition to ASIC's regular liaison meetings with industry, we met with stakeholders to discuss issues such as code monitoring and the professional standards reforms for financial advisers.

448 In 2018–19, there were also higher direct and indirect costs associated with the increase in strategic focus.

Table 89: Analysis for subsectors with a material variance—Licensees that provide personal advice to retail clients on relevant financial products (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$3.793m	$3.214m	$0.579m
Enforcement	$9.459m	$5.343m	$4.117m
Financial capability	$1.250m	$1.017m	$0.234m
Other regulatory activities			
Industry engagement	*$0.811m*	*$0.226m*	*$0.585m*
Education	*$0.210m*	*$0.155m*	*$0.055m*
Guidance	*$0.288m*	*$0.248m*	*$0.040m*
Policy advice	*$0.050m*	*$0.184m*	*($0.134m)*

Expense	Actual cost	Estimated cost	Variance
Indirect costs			
Governance, central strategy and legal	*$3.860m*	*$3.093m*	*$0.767m*
IT support	*$3.286m*	*$2.777m*	*$0.509m*
Operations support	*$1.779m*	*$1.326m*	*$0.454m*
Property and corporate services	*$4.835m*	*$3.609m*	*$1.226m*
Total operating expenditure	**$29.622m**	**$21.192m**	**$8.431m**
Allowance for capital expenditure	$4.030m	$1.450m	$2.581m
Less costs funded by own-source revenue	($0.566m)	($0.652m)	$0.086m
Adjustment for market supervision cost recovery	$0.00m	$0.00m	$0.00m
Adjustment for new policy measures*	$0.00m	$3.026m	($3.026m)
Adjustment for prior year under /(over) recovery	($0.059m)	$0.015m	($0.074m)
Total costs to be recovered by levy	**$33.028m**	**$25.031m**	**$7.997m**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities.

Insurance product providers

449 Table 90 breaks down the difference between actual and estimated costs for each of our regulatory activities for the insurance product providers subsector.

450 The actual costs for the subsector were $2.4 million (17%) lower than our estimated costs. Enforcement costs were lower than budgeted. A large matter was reclassified to another subsector due to its changing nature and this contributed to the lower than expected costs. Furthermore, a number of other matters reached the closing stage and there were reduced costs associated with staff and external service providers for these matters. In the latter part of 2018–19, new matters relating to referrals and case studies from the Royal Commission added to our pipeline of work. Most of these matters did not significantly increase the subsectors' enforcement costs for 2018–19 as investigations were at the early stages.

451 There was an adjustment for over recovery of costs in the previous year, which contributed to the difference. Under and over recovery of costs can occur due to a difference in timing between when entities are registered or de-registered and the notification of these activities: see paragraph 56(c).

452 Indirect costs for this subsector were also lower.

Table 90: Analysis for subsectors with a material variance—Insurance product providers (2018–19)

Expense	Actual cost	Estimated cost	Variance
Surveillance	$2.818m	$2.673m	$0.146m
Enforcement	$0.621m	$1.215m	($0.594m)
Financial capability	$1.618m	$1.397m	$0.220m
Other regulatory activities			
Industry engagement	*$1.314m*	*$0.273m*	*$1.041m*
Education	*$0.126m*	*$0.126m*	*($0.00m)*
Guidance	*$0.112m*	*$0.074m*	*$0.038m*
Policy advice	*$0.233m*	*$0.164m*	*$0.070m*
Indirect costs			
Governance, central strategy and legal	*$1.322m*	*$1.070m*	*$0.252m*
IT support	*$1.180m*	*$1.454m*	*($0.274m)*
Operations support	*$0.657m*	*$0.687m*	*($0.030m)*
Property and corporate services	*$1.843m*	*$1.876m*	*($0.034m)*
Total operating expenditure	**$11.844m**	**$11.007m**	**$0.836m**

Expense	Actual cost	Estimated cost	Variance
Allowance for capital expenditure	$1.118m	$0.811m	$0.307m
Less costs funded by own-source revenue	($0.186m)	($0.462m)	$0.275m
Adjustment for market supervision cost recovery	$0.00m	$0.00m	$0.00m
Adjustment for new policy measures*	$0.00m	$2.608m	($2.608m)
Adjustment for prior year under /(over) recovery	($1.196m)	$0.040m	($1.236m)
Total costs to be recovered by levy	**$11.579m**	**$14.005m**	**($2.426m)**

* Note: At the time of budgeting, the estimated expenditure on new policy measures for 2018–19 was treated as a separate line item. The actual expenditure on new policy measures in 2018–19 has now been allocated across the various regulatory activities.

Annual dashboard

453 To increase the transparency of our expenditure, we publish the annual dashboard report. The annual dashboard report discloses information about our regulatory costs for the previous financial year.

454 Appendix 1 sets out the annual dashboard report for 2018–19. Table 94 shows, for each sector, how we have apportioned our costs in 2018–19 by the type of activity undertaken and the expenses incurred. Table 95 sets out our total regulatory costs in relation to leviable entities, and how we have apportioned those costs across each industry sector and subsector.

Fees for service

455 We estimate that approximately $15.8 million of our regulatory costs will be recovered each year under the fees-for-service model, based on historic volumes of applications: see Table 91.

Table 91: Actual and estimated expenses, revenue and variances

Figure type	Actual figures for 2018–19	Estimates for 2019–20	Estimates for 2020–21	Estimates for 2021–22
Expenses	$16.5m	$15.8m	$17.3m	$17.9m
Revenue	$16.5m	$15.8m	$17.3m	$17.9m
Variance (revenue minus expenses)	Nil	Nil	Nil	Nil

Note: Please see Section O for a discussion of the risk that the fees for service will not match our actual regulatory costs.

456 We will continue to report our performance against our service charter targets in the annual performance statements we publish in our annual report.

Financial performance

457 The invoices for industry funding levies are issued each January. The CRIS will provide information about the recovery of regulatory costs for the financial year and the amount of any excess or shortfall in the recovery of our costs in relation to that financial year.

Balance management strategy

458 Our balance management strategy is set out in the Cost Recovery Levy Act. This ensures that our balance management strategy is transparent and equitable. In allocating our regulatory costs we must reduce our regulatory costs by the amount of any excess levy paid in relation to the previous financial year. Similarly, where there has been a shortfall in the recovery of our costs in relation to the previous financial year, we must increase our regulatory costs by the shortfall. We must attribute any excess or shortfall to the subsectors in which the excess or shortfall previously arose.

Non-financial performance

Industry levies

459 There are a number of ways in which ASIC provides information on the non-financial performance of our regulatory activities.

Corporate plan

460 We published our *Corporate Plan 2019–23: Focus 2019–20* in August 2019. The corporate plan outlines our vision, mission and our strategic priorities to achieve them.

461 The corporate plan includes a specific section, *Measuring and evaluating our performance*, which sets out the outcomes we will use to measure our performance and the evidence of those outcomes.

Annual report

462 Our *Annual Report 2018–19* was released in October 2019. The report is a record of ASIC's activities and performance in 2018–19. We publish an annual performance statement as part of our annual report each year, in compliance with s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013*. This outlines how we have performed over the last financial year, using the performance indicators outlined in the corporate plan.

Regulator Performance Framework

463 The Regulator Performance Framework was introduced by the Australian Government in 2015. It establishes key performance indicators to assess how Commonwealth regulators operate to minimise the regulatory burden in the course of conducting their other activities.

464 We published our self-assessment under the Regulator Performance Framework for 2017–18 in April 2019: see Report 618 *Regulator Performance Framework: ASIC self-assessment 2017–18* (REP 618).

Fees for service

465 We provide information on the non-financial performance of the fees-for-service activities on an ongoing basis. There are two key mechanisms that will enable stakeholders to evaluate whether outputs have been produced and outcomes have been achieved:

(a) the review of the fee schedule every three years; and

(b) our reporting on fees-for-service activities.

Review of the fee schedules

466 Under the fees-for-service model, we will review our fees every three years. This ongoing assessment will ensure that the fees remain appropriate and provide an incentive to deliver our services at the most efficient cost. The review may need to occur earlier if there is:

(a) a change to the work required to provide a particular fees-for-service activity; or

(b) a material variation in the cost of delivering the activity and the fee charged.

467 Any amendments to Sch 1 to the Fees Regulations will require consultation, in accordance with the Australian Government's legislative consultation process.

Other accountability measures

468 Under the Cost Recovery Guidelines, meeting the principle of transparency and accountability involves reporting on performance for the activity on an ongoing basis. Access to information about our fees-for-service activities can help stakeholders determine whether our cost-recovered activities are being implemented efficiently and effectively.

ASIC service charter

469 We take all reasonable steps to deliver on our commitments in our *ASIC service charter*. The *ASIC service charter* sets out the most common

interactions we have with our stakeholders and what our stakeholders can expect when they deal with ASIC. It explains how we respond to requests, including requests relating to our regulatory activities that will be recovered through fees for service, such as applications for licences or relief from the law.

470 The *ASIC service charter* sets out our target timeframes for resolving matters. If we are unable to deal with an application or query within our target timeframe, we will:

(a) provide an interim response to inform you of our progress;

(b) review the progress of your matter and prioritise its resolution as quickly as possible; and

(c) where necessary, escalate your matter for consideration and decision by the appropriate decision-making body within ASIC.

471 We will continue to review our service standards and the *ASIC service charter* and report on our service charter results.

Reports on our fees-for-service activities

472 We publish a number of reports to provide greater transparency and understanding of our fees-for-service activities. For example:

(a) *licensing and professional registration*—we publish an annual report on our licensing and professional registration activities. The report provides greater transparency about our AFS licensing, credit licensing and professional registration assessment and decision-making processes and outcomes, and the risks we identified as part of those processes. Our most recent report is Report 650 *Overview of licensing and professional registration applications: July 2018 to June 2019* (REP 650);

(b) *compliance review of documents*—we publish a six-monthly report on our corporate finance regulation activities. The report highlights and discusses key statistical information, observations and our work in the regulation and oversight of fundraising, mergers and acquisitions transactions, corporate governance, and other general corporate finance areas. Our most recent report is Report 659 *ASIC regulation of corporate finance: July to December 2019* (REP 659); and

(c) *assessment of applications for relief*—we publish a report that gives an overview of our decisions on relief applications. The report outlines some of our decisions where we have exercised, or refused to exercise, ASIC's exemption and modification powers from the financial reporting, managed investment, takeovers, fundraising or financial services provisions of the Corporations Act and the National Credit Act. Our most recent report is Report 654 *Overview of decisions on relief applications (April 2019 to September 2019)* (REP 654).

R Key events and dates

Key points

This section sets out an outline of the key events and estimated dates for industry funding.

Table 92: Key events and estimated dates

Key event	Estimated date
We published on our website the annual dashboard report for 2018–19	January 2020
We sent invoices for 2018–19	January 2020
Invoices were due for payment	March 2020
We published this CRIS (including indicative levies and the annual dashboard report) for feedback	June 2020
ASIC portal open for 2019–20 annual returns	July to September 2020
We publish the Corporate Plan for 2020–21 to 2023–24	August 2020
We publish the final CRIS for 2019–20	September 2020
We publish our Annual Report 2019–20	October 2020
We publish a legislative instrument with business activity details	December 2020
We publish the 2020–21 CRIS for feedback	January 2021
We send invoices for 2019–20	January 2021
Consultation on fees for service	Every three years from June 2018, or earlier (if there is an unforeseen change or material variance in the cost and revenue)

S CRIS approval and change register

Key points

The table below shows approvals and changes pertaining to this CRIS.

The Charging Risk Assessment rating for this CRIS is high.

Table 93: CRIS approval and change register

Date	Description	Approved by	Comments
To be determined	Certification of the CRIS	ASIC Chair	N/A
To be determined	Approval of the CRIS	Approved by the Assistant Treasurer and agreed for release by the Minister for Finance	N/A

Appendix 1: Annual dashboard report

473 We must publish an annual dashboard report each year, setting out information about our regulatory costs for the previous financial year: see s138 of the ASIC Act. Table 94 and Table 95 comprise the annual dashboard report for 2018–19.

474 Table 94 shows how we have apportioned our regulatory costs in 2018–19 for each sector by the type of activity undertaken and the different kinds of expenses we have incurred.

Table 94: Total regulatory costs recoverable through levies in 2018–19 for each sector by regulatory activity

Expense	Corporate sector	Deposit taking and credit sector	Investment management, superannuation and related services sector	Market infrastructure and intermediaries sector	Financial advice sector	Insurance sector	Large financial institutions sector	All industry sectors
Surveillance	$10.100m	$5.514m	$3.729m	$10.686m	$3.994m	$3.078m	$2.946m	$40.047m
Enforcement	$30.935m	$5.948m	$21.347m	$6.168m	$9.476m	$1.644m	$0.066m*	$75.585m
Financial capability	$0.013m	$3.055m	$2.652m	$0.018m	$1.294m	$1.761m	$0.047m	$8.839m
Other regulatory activities								
Industry engagement	*$0.946m*	*$0.960m*	*$2.368m*	*$3.225m*	*$0.817m*	*$1.556m*	*$0.00m*	*$9.871m*
Education	*$0.577m*	*$0.258m*	*$0.110m*	*$0.167m*	*$0.229m*	*$0.137m*	*$0.00m*	*$1.478m*
Guidance	*$0.521m*	*$0.327m*	*$0.769m*	*$1.320m*	*$0.291m*	*$0.122m*	*$0.00m*	*$3.350m*
Policy advice	*$0.410m*	*$0.463m*	*$0.563m*	*$0.643m*	*$0.053m*	*$0.256m*	*$0.00m*	*$2.388m*

Expense	Corporate sector	Deposit taking and credit sector	Investment management, superannuation and related services sector	Market infrastructure and intermediaries sector	Financial advice sector	Insurance sector	Large financial institutions sector	All industry sectors
Indirect costs								
Governance, central strategy and legal	*$7.169m*	*$3.478m*	*$5.063m*	*$5.085m*	*$3.996m*	*$1.590m*	*$0.143m*	*$26.523m*
IT support	*$9.720m*	*$3.155m*	*$5.917m*	*$4.995m*	*$3.466m*	*$1.451m*	*$0.156m*	*$28.859m*
Operations support	*$4.525m*	*$1.728m*	*$2.904m*	*$2.689m*	*$1.849m*	*$0.803m*	*$0.079m*	*$14.577m*
Property and corporate services	*$13.224m*	*$4.885m*	*$7.985m*	*$7.376m*	*$5.070m*	*$2.243m*	*$0.227m*	*$41.010m*
Total operating expenditure	**$78.138m**	**$29.771m**	**$53.406m**	**$42.371m**	**$30.535m**	**$14.640m**	**$3.665m**	**$252.526m**
Allowance for capital expenditure	$9.019m	$3.108m	$5.863m	$5.309m	$4.164m	$1.397m	$0.00m	$28.860m
Less costs funded by own-source revenue	($3.703m)	($0.650m)	($1.386m)	($0.620m)	($0.584m)	($0.268m)	$0.00m	($7.212m)
Adjustment for market supervision cost recovery	$0.658m	$0.00m	$0.658m	$3.070m	$0.00m	$0.00m	$0.00m	$4.386m
Adjustment for prior year under /(over) recovery	$0.222m	($0.673m)	($1.677m)	$1.801m	($0.045m)	($1.477m)	$0.00m	($1.848m)
Total costs to be recovered by levy	**$84.333m**	**$31.556m**	**$56.864m**	**$51.931m**	**$34.070m**	**$14.292m**	**$3.665m**	**$276.711m**

* Note: The cost for enforcement in the large financial institutions sector relates to close and continuous monitoring only.

475 Table 95 shows our total regulatory costs for 2018–19 and how we have apportioned those costs across each sector and subsector.

Table 95: Total regulatory costs recoverable through levies in 2018–19 by industry sector and subsector

All industry sectors

Sector	Cost
Corporate sector	$84.333m
Deposit taking and credit sector	$31.556m
Investment management, superannuation and related services sector	$56.864m
Market infrastructure and intermediaries sector	$51.931m
Financial advice sector	$34.070m
Insurance sector	$14.292m
Large financial institutions sector	$3.665m
Total regulatory costs recovered through levies	**$276.711m**

Corporate sector

Subsector	Cost
Listed corporations	$63.825m
Unlisted public companies	$1.631m
Large proprietary companies	$5.060m
Auditors of disclosing entities	$5.628m
Registered company auditors	$0.850m
Registered liquidators	$7.338m
Total regulatory costs recovered through levies	**$84.333m**

Deposit taking and credit sector

Subsector	Cost
Credit providers	$19.754m
Small amount credit providers	$1.319m

Subsector	Cost
Credit intermediaries	$6.578m
Deposit product providers	$2.858m
Payment product providers	$0.920m
Margin lenders	$0.127m
Total regulatory costs recovered through levies	**$31.556m**

Investment management, superannuation and related services sector

Subsector	Cost
Superannuation trustees	$17.235m
Responsible entities	$25.894m
Wholesale trustees	$9.612m
Custodians	$0.945m
Investor directed portfolio services operators	$1.636m
Managed discretionary account providers	$1.426m
Traditional trustee company service providers	$0.117m
Total regulatory costs recovered through levies	**$56.864m**

Market infrastructure and intermediaries sector

Subsector	Cost
Large securities exchange operators	$4.466m
Large futures exchange operators	$1.260m
Small futures exchange operators	$0.423m
Small securities exchange operators with self-listing function only	$0.020m
Small securities exchange operators	$0.671m
New specialised market operators	$0.127m
Established specialised market operators	$0.618m
Overseas market operators	$0.832m
Exempt CS facility operators	$0.029m

Subsector	Cost
Tier 1 CS facility operators	$1.868m
Tier 2 CS facility operators	$0.203m
Tier 3 CS facility operators	$0.092m
Tier 4 CS facility operators	$0.016m
Australian derivative trade repository operators	$0.486m
Exempt market operators	$0.493m
Credit rating agencies	$0.167m
Large securities exchange participants	$16.242m
Large futures exchange participants	$2.169m
Securities dealers	$2.465m
Corporate advisers	$5.916m
OTC traders	$7.877m
Retail OTC derivatives issuers	$4.848m
Benchmark administrators	$0.560m
Wholesale electricity dealers	$0.082m
Total regulatory costs recovered through levies	**$51.931m**

Financial advice sector

Subsector	Cost
Licensees that provide personal advice to retail clients on relevant financial products	$33.028m
Licensees that provide personal advice to retail clients on products that are not relevant financial products	$0.125m
Licensees that provide general advice only	$0.737m
Licensees that provide personal advice to wholesale clients only	$0.181m
Total regulatory costs recovered through levies	**$34.070m**

Insurance sector

Subsector	Cost
Insurance product providers	$11.579m
Insurance product distributors	$2.110m
Risk management product providers	$0.603m
Total regulatory costs recovered through levies	**$14.292m**

Large financial institutions sector

Subsector	Cost
Entities subject to close and continuous monitoring	$3.665m
Total regulatory costs recovered through levies	**$3.665m**

Appendix 2: Fees-for-service schedules

This appendix sets out the schedule for our flat fees for service (Table 96) and our tiered fees for service (Table 97). Forms with no fees attached are those that do not require a regulatory decision.

Table 96: Flat fees for service for our regulatory activities

Form code	Form description	Fee
116	Scheme for transfer and amalgamation of life insurance business (includes s116A)—Scheme for transfer and amalgamation of general insurance business	$2,695
145	Application for registration of disclosure statement (demutualisation)	$2,695
342	Application for consent from ASIC to resign as an auditor of a public company	$40
517	Application for extension of time for dealing with formal proof of debt/claim	$156
568	Application for extension of time to lodge a declaration of solvency	$156
569	Application for extension of time to pass a resolution regarding voluntary winding up	$156
572	Application for direction that s532(6) does not apply	$156
575	Application to direct liquidators to incur expenses	$156
584	Application for the Commonwealth to exercise powers of defunct company	$934
595	Draft explanatory statement regarding compromise or arrangement Note: Fee includes Form 592 *Notice of hearing for scheme of arrangement*.	$5,290
671	Lodging a notice under paragraph 654C(3)(b) in relation to a bidder's voting power	No fee
675	Supplementary statement regarding takeover bid Note: Fee also applies to subforms 675A and 675B.	$802
752	Document lodged in relation to short form prospectus	$321
754B	Replacement prospectus for equities Note: Fee also applies to subforms 754BA and 754BB.	$802
754E	Replacement offer information statement Note: Fee also applies to subforms 754EA and 754EB.	$321
754F	Replacement profile statement Note: Fee also applies to subforms 754FA and 754FB.	$321

Form code	Form description	Fee
754G	Replacement short form prospectus for equities Note: Fee also applies to subforms 754GA and 754GB.	$802
764B	Prospectus for equities Note: Fee also applies to subforms 764BA and 764BB.	$3,206
764E	Offer information statement Note: Fee also applies to subforms 764EA and 764EB.	$1,924
764F	Profile statement Note: Fee also applies to subforms 764FA and 764FB.	$1,924
764G	Short form prospectus for equities	$3,206
764K	PDS lodgement	$1,993
766B	Supplementary disclosure document for equities	$802
771	Permission to act as a debenture trustee	$16,030
875	Offer document—Mutual recognition scheme Note: Same as Form N/A7.	$321
876	Supplementary or replacement document—Mutual recognition Note: Same as Form N/A8	$160
877	Change to offer document—Mutual recognition scheme	$160
903AA and 903AC	Application for registration as an auditor	$338
903AB and 903AD	Application for registration as an authorised audit company	$3,429
903B	Application for registration as a liquidator Note: Fee also applies to subforms 903BA and 903BB.	$2,200 (application fee) $1,300 (registration fee)
917A and 917B	Application to vary conditions imposed on auditor's registration	$1,028
975	Application for extension of time for annual statement by liquidator	$156
5030	Registration copy of explanatory statement	$321
5054	Application for extension of time for dealing with formal proof of debt/claim	$156
5057	Related party benefits—Proposed notice, explanatory statement and accompanying documents Note: Fee also applies to subforms 5057A–5057D.	$802

Form code	Form description	Fee
5071	Application for direction that paragraph 448C(3)(b) does not apply	$156
5100	Application for registration of managed investment scheme Note: Fee also applies to subforms 5100A, 5100B and 5100C. Fee includes Form 5101A *Notification of change to managed investment scheme's constitution*, Form 5102A *Compliance plan for managed investment scheme* and Form 5103 *Directors' statement relating to application for registration of a managed investment scheme*.	$3,029
5107	Notification of change of responsible entity of a registered scheme Note: Fee also applies to subforms 5107A–5107D.	$1,187
5108	Notification of appointment of temporary responsible entity	$1,187
5109	Notification of request by temporary responsible entity to add new responsible entity	$1,187
5112	Application for consent to remove compliance plan auditor	$791
5127	Notice of proposed modification to prescribed interest deed	$478
5128	Notice of ratification of modification to deed	$478
5605	Application for ASIC to appoint a reviewing liquidator	$156
6019	Application for voluntary transfer determination under s601WBA	$5,775
6021	Notice of compulsory acquisition following takeover bid—Notice to dissenting member	$802
6022	Notice of right of buy out to remaining holder of securities following a takeover bid	$641
6023	Notice of right of buy out to holders of convertible securities following a takeover bid	$160
6024	Notice of compulsory acquisition	$802
6025	Notice of right of buy out to holders of convertible securities by 100% holder	$160
6026	Notice of objection regarding compulsory acquisition/buy out	$802
6027	List of members objecting to compulsory acquisition/buy out	$160
6181	Bidder's statement and offer—Off market Note: Fee also applies to subforms 6181A and 6181B. Fee includes Form 670 *Notice of date set for determining holders of securities—Off market*, Form 672 *Notice of status of defeating condition—Unquoted bid class securities* (including subforms 672A and 672B), Form 6011 *Notice of service of bidder's statement—Off market*, and Form 6201 *Notice that takeover offers have been sent—Off market*.	$5,264
6211	Target statement and reports—Off market	$2,565

Form code	Form description	Fee
6261	Notice of offers free of defeating condition—Off market bid	$160
6291	Takeover bidder's statement and documents sent to securities exchange—On market Note: Fee also applies to subforms 6291A and 6291B. Fee includes Form 6301 *Document accompanying bidder's statement—On market*.	$5,130
6321	Notice of variation in takeover offer Note: Fee also applies to subforms 6321A and 6321B.	$802
6331	Target statement and report—On market	$2,565
7000A	Covenants not required under s1069(3)	$3,587
7000D	Trust deed under s1084(2)	$159
7000E	Trust deed under s1094(6)	$159
7015	Application for discharge of security Note: Fee also applies to subforms 7015A–7015D.	$1,284
7021	Executed deed Note: Fee also applies to subforms 7021A and 7021B.	$478
7070	Application to revoke approval of a trustee or representative	$1,196
7078	Application by charity to register identification statement	$2,391
7096	Application to vary conditions of approval to a person acting as trustee or representative	$1,196
TBC	Eligible applicant requests	$468
TBC	Application for benchmark administrator licence (s908BD)	$85,888
TBC	Application to be exempted from requirement to hold benchmark administrator licence	$38,651
TBC	Application to have financial benchmark removed from ASIC's declaration of significant benchmarks	$38,651
CA912	Application for approval of alternative arrangements under s912B(2)(b)	$1,540
CH5DA	Application to exceed voting power limit—Licensed trustee company	$11,550
CH5DB	Application to extend the period for voting power limit approval—Licensed trustee company	$5,775
CH5DC	Application to vary voting power limit approval—Licensed trustee company	$5,775
CL51	Application for extension of time to lodge an annual compliance certificate	$1,155

Form code	Form description	Fee
CL73	Application for extension of time to lodge credit trust accounts Note: Fee also applies to subforms CL73A and CL73B.	$1,155
CR762	Application for approval of guarantees under reg 7.6.02AAA(3)(b)	$1,540
TBC	Clearing and settlement facility licence—Application for revocation of exemption	No fee
TBC	Clearing and settlement facility licence—Application for imposing licence conditions	$38,651
F104	Document lodged under item 7 of s611—Corporate finance	No fee
FS64	Request for voluntary suspension of an Australian financial services licence	$899
FS65	Request to revoke Australian financial services licence	$899
FS68	Application to vary or revoke Australian financial services licence suspension	$899
M02	Application for exemption under s791C—Markets	$1,340
M03	Notice of changes to operating rules under s793D(3) (overseas markets) Note: Fee also applies to subforms M03A and M03B.	$1,549
M04	Application for exemption under s820C(1)—Clearing and settlement facility	$1,340
M07	Notice of changes to Security Exchange Guarantee Corporation operating rules s890G(1)	$38,651
M10	Application for variation of market licence—Change of name (s797A(1))	$1,549
M11	Application for exemption or declaration under s1075A(1)	$17,590
M12	Application for declaration under s1073E(1)	$17,590
M15	Change of name—Clearing and settlement facility licence	$1,549
M16	Application for approval to exceed 15% voting power limit (s851A(1))	$158,350
M17	On giving the Minister or ASIC information under the regulations made for the purposes of s854A(1)(c)	$230
M18	Application for approval of compensation arrangements (s882B(1))	$15,462
M19	Application for change to a matter not in compensation rules (s884C(2))	$38,651
M20B	Notice of changes to operating rules under s822D(3) (overseas clearing and settlement facilities)	$1,549
M21	Notice of change to matter dealt with in compensation rules (s884B(2))	$38,651

Form code	Form description	Fee
M24	Application for exemption and modification for self-listed licensee or related body corporate	$17,180
M31	Application for ASIC to make decisions and take action in conflict or potential conflict situations	As in s5 of the Fees Regulations (new hourly rate of $175.95)
M66	Application for market integrity rule waiver	$14,775
TBC	Application for revocation of exemption—Markets	No fee
TBC	Application to impose licence conditions—Markets	$38,651
MI-102	Application for imposition or variation of conditions on a trade repository licence	$38,651
TBC	Application to impose licence condition (s908BG(2)(a)), or vary or revoke licence condition (s908BG(2)(b)), on a benchmark administrator licence	$38,651
TBC	Application to cancel or suspend benchmark administrator licence (s908BI(1)(c))	$12,886
TBC	Application for revocation or cancellation of Australian market (s797B(c))	No fee
TBC	Application for revocation or cancellation of clearing and settlement facility licence (s826B(c))	No fee
TBC	Application for revocation or cancellation of Australian trade repository licence (s905H(c))	No fee
TBC	Application to vary benchmark administrator licence to change of name of administrator (s908BH(a))	$1,549
TBC	Application to change details of benchmark administrator licence (s908BH(b))	$38,651
TBC	Application to add one or more financial benchmarks to benchmark administrator licence (s908BH(c))	$38,651
N/A5	Australian trade repository licence application	$154,598
Not applicable	Application for relief—Standard and novel	$3,487
Not applicable	Application or request for ASIC to provide a consent or approval under an instrument made under s655A, 669 or 673 of the Corporations Act (including a provision notionally inserted into Chs 6, 6A or 6C by that instrument)	No fee
SFREG	Self-managed superannuation funds—Application to register as an auditor	$1,927

Form code	Form description	Fee
TBC	Self-managed superannuation funds—Application for cancellation of registration as SMSF auditor	$899
TBC	Self-managed superannuation funds—Application to vary conditions imposed on SMSF auditor's registration	$1,028
PF225	Pro Forma 225 Deed of mutual release	$1,798
PF63	Pro Forma 63 Deed of subordination	$1,798
RL06	Application to remove or vary conditions or lift or shorten suspension	$1,018
RL08	Request to cancel or suspend registration as a liquidator	$234
TBC	For the performance by a member of ASIC, or an ASIC staff member, of the functions under s798DA (market licensee, related body corporate or competitor competing in market)	As in s5 of the Fees Regulations (new hourly rate of $175.95)
TBC	Australian trade repository licence—Change of name	$1,549
TBC	Markets—Application for variation of exemption on clearing and settlement facility licence	$17,179
TBC	Markets—Application for variation of exemption for a financial market or particular type of financial market	$17,179
TBC	Approval of compensation arrangements under s48(2)(b) of the National Credit Act and reg 12 of the National Consumer Credit Protection Regulations 2010	$1,540
TBC	Application to approve a compliance scheme under s921K(1)	$10,147

Table 97: Tiered fees for service for our regulatory activities

Form CL01 *Australian credit licence application*

Applicant type	Authorisation	Fee
Individual	Other than credit provider	$1,798
Individual	Credit provider	$3,468
Other than an individual	Other than credit provider	$2,055
Other than an individual	Credit provider	$4,624

Note: Fee also applies to subforms CL1AA, CL1AB, CL1AC, CL1AD, CL1AE, CL1AF, CL1AG, CL1AH, CL1AI, CL1BA, CL1BB, CL1BC, CL1BD, CL1BE, CL1BF, CL1BG, CL1BH, CL1BI, CL1CA, CL1CB, CL1CC, CL1CD, CL1CE, CL1CF, CL1CG, CL1CH, CL1CI, CL1DA, CL1DB, CL1DC, CL1DD, CL1DE, CL1DF, CL1DG, CL1DH, CL1DI, CL1Z.

Form CL03 *Vary authorisations or conditions of an Australian credit licence*

Applicant type	Authorisation	Fee
Individual	Credit provider	$1,156
Individual	Other than a credit provider	$2,183
Other than an individual	Credit provider	$1,284
Other than an individual	Other than a credit provider	$2,826

Note: Fee also applies to subforms CL03A, CL03B, CL03C and CL03Z.

Form FS01 *Australian financial services licence application (electronic format)*

Client type	Applicant type	Complexity level	Fee
Retail	Individual	Low	$2,233
Retail	Individual	High	$5,025
Retail	Other than an individual	Low	$3,721
Retail	Other than an individual	High	$7,537
Wholesale	Individual	Low	$1,488
Wholesale	Individual	High	$3,350
Wholesale	Other than an individual	Low	$2,233
Wholesale	Other than an individual	High	$5,025

Note: Fee also applies to subforms FS01A–FS01H, FS01J–FS01Q and FS01Z.

Form FS01 *Australian financial services licence application (paper format)*

Client type	Applicant type	Complexity level	Fee
Retail	Individual	Low	$3,349
Retail	Individual	High	$7,537
Retail	Other than an individual	Low	$5,582
Retail	Other than an individual	High	$11,305
Wholesale	Individual	Low	$2,233
Wholesale	Individual	High	$5,025
Wholesale	Other than an individual	Low	$3,349
Wholesale	Other than an individual	High	$7,537

Note: Fee also applies to subforms FS01A–FS01D, FS01AA, FS01BA.

Form FS03 *Application to vary the authorisation conditions and other conditions of an Australian financial services licence (electronic format)*

Applicant type	Fee
Individual	$2,214
Other than an individual	$2,470

Note: Fee also applies to subforms FS03A, FS03B, FS03C and FS03Z.

Form FS03X *Application to vary the authorisation conditions and other conditions of an Australian financial services licence (paper format)*

Applicant type	Fee
Individual	$3,328
Other than an individual	$3,704

Form M01 *Application for an Australian Markets Licence*

Complexity level	Fee
Low	$15,462
Medium	$85,888
High	$154,596

Form M03 *Notice of changes to operating rules subsection 793D(1)*

Complexity level	Fee
Low	$2,580
Medium	$18,035
High	$44,660

Note: Fee also applies to subforms M03A and M03B.

Form M20 *Notice of changes to operating rules section 822D(1)*

Complexity level	Fee
Low	$2,580
Medium	$18,035
High	$44,660

Note: Fee also applies to subforms M20A and M20B.

Form M22 ***Application for an Australian Clearing and Settlement facility licence***

Complexity level	Fee
Low	$15,462
Medium	$85,888
High	$154,596

Form RL05 ***Application for renewal of registration by a registered liquidator***

Timing of submission	Fee
Standard—lodged within one month before renewal date	$1,920
Early bird—lodged more than one month before renewal date	$1,720

Note: Fee also applies to subforms RL05A and RL05B.

Key terms

Term	Meaning in this document
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
APRA	Australian Prudential Regulation Authority
ASIC Act	*Australian Securities and Investments Commission Act 2001*
ASIC-sourced revenue	Revenue generated from sources such as sub-leasing office space to other agencies, publishing royalties and the recovery of court awarded costs
ASX	ASX Limited or the exchange market operated by ASX Limited
auditors of disclosing entities	Authorised audit companies and audit firms that audit disclosing entities with quoted securities
Australian derivative trade repository operators	Has the meaning given in reg 59 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Australian market licence	An Australian market licence under s795B of the Corporations Act that authorises a person to operate a financial market
BBSW	Bank bill swap rate
benchmark administrator licence	A benchmark administrator licence under s908BC(1) of the Corporations Act that authorises a person to administer a significant financial benchmark
benchmark administrator licensee	The holder of a benchmark administrator licence
CADB	Companies Auditors Disciplinary Board, formerly known as the Companies Auditors and Liquidators Disciplinary Board (CALDB)
capital expenditure allowance	A figure equal to ASIC’s departmental capital budget and equity injection appropriations to develop infrastructure to support new regulatory responsibilities.
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act

Term	Meaning in this document
corporate advisers	Has the meaning given in reg 63 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Cost Recovery Guidelines	Australian Government Cost Recovery Guidelines
Cost Recovery Levy Act	*ASIC Supervisory Cost Recovery Levy Act 2017*
Cost Recovery Levy Regulations	*ASIC Supervisory Cost Recovery Levy Regulations 2017*
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities
credit licensee	A person who holds an Australian credit licence under s35 of the National Credit Act
credit provider	Has the meaning given in s5 of the National Credit Act
credit rating agencies	Has the meaning given in reg 60 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
CRIS	Cost Recovery Implementation Statement
CS facility	A clearing and settlement facility as defined in s768A of the Corporations Act
CS facility licence	An Australian CS facility licence under s824B that authorises a person to operate a CS facility in Australia
CS facility operator	An entity that operates a CS facility under a CS facility licence
CSF	Crowd-sourced funding
CSF intermediary	An AFS licensee whose licence expressly authorises the licensee to provide a crowd-funding service Note: See s738C of the Corporations Act.
CSF regime	The statutory regime for crowd-sourced funding in Pt 6D.3A of the Corporations Act regulating CSF offers
custodian	An AFS licensee with authorisation to provide custodial and depository services
deposit product provider	Australian deposit-taking institutions (i.e. banks, credit unions and building societies) that provide deposit products to consumers, such as deposit accounts, certificates of deposit, and foreign currency deposits
ESA	ASIC Enforcement Special Account
equity injection appropriation	Funds provided by the Australian Government to ASIC to enable investment in assets (e.g. capital expenditure)

Term	Meaning in this document
exempt CS facility operators	Market infrastructure providers that hold an exemption from the requirement to hold a CS facility licence
exempt market operators	Market infrastructure providers that hold an exemption from the requirement to hold a market licence
fees for service	Fees charged to recover our costs for services provided
fees-for-service activities	ASIC activities for which we will charge a fee. These can be broadly categorised as: • licensing application or variation services; • registration application services; • compliance review of documents lodged with ASIC; • requests for changes to market operating rules; and • assessing applications for relief
Fees Regulations	Corporations (Fees) Regulations 2001
FICC	fixed income, currencies and commodities
financial advisers register	A register maintained by ASIC of individuals who are authorised to provide personal advice to retail clients on investments, superannuation and life insurance
financial product advice	A recommendation or a statement of opinion, or a report of either of these things, that: • is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or • could reasonably be regarded as being intended to have such an influence. This does not include anything in an exempt document Note: This is a definition contained in s766B of the Corporations Act.
flat levy	Has the meaning given in paragraphs 58–59
FSI	Financial System Inquiry
FTE staff	Full-time equivalent staff
FYE	Full-year equivalent
general advice	Financial product advice that is not personal advice Note: This is a definition contained in s766B(4) of the Corporations Act.
graduated levy	A levy based on the graduated levy component formula, where all entities in a subsector must pay: • a minimum levy; and • an additional variable component, based on each entity’s share of relevant activity within the subsector

Term	Meaning in this document
IDPS	An investor directed portfolio service as defined in Class Order [CO 13/763] *Investor directed portfolio services* or any instrument that amends or replaces that class order
IDPS operator	An entity that operates an IDPS
industry levies CRIS	*Cost Recovery Implementation Statement: Levies for ASIC industry funding (2017–18)*, published in May 2018
INFO 203 (for example)	An ASIC information sheet (in this example numbered 203)
insurance product providers	Has the meaning given in reg 72 of the Cost Recovery Levy Regulations
insurance product distributors	Has the meaning given in reg 70 of the Cost Recovery Levy Regulations
IOSCO	International Organization of Securities Commissions
IT	Information technology
large proprietary companies	Has the meaning given in reg 16 of the Cost Recovery Levy Regulations
listed corporations	Has the meaning given in reg 22 of the Cost Recovery Levy Regulations
managed investment scheme	Has the meaning given in s9 of the Corporations Act
market competition cost recovery	Has the meaning given at paragraph 56(d) of this CRIS
market licensee	The holder of an Australian market licence
market participants	Has the meaning given in s761A of the Corporations Act
margin lenders	Has the meaning given in reg 23 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
market surveillance system	ASIC's system for surveilling financial markets
MDA	A managed discretionary account
medium amount credit contract	Has the meaning given in s204 of the National Credit Code (Sch 1 to the National Credit Act)
National Credit Act	*National Consumer Credit Protection Act 2009*
NFLS	National Financial Literacy Strategy
old Corporations Law	Has the meaning given in s1371 of the Corporations Act
old Corporations Regulations	Has the meaning given in s1371 of the Corporations Act

Term	Meaning in this document
OTC	Over the counter
OTC traders	Has the meaning given in reg 66 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
payment product providers	Has the meaning given in reg 28 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
PDS	A Product Disclosure Statement—a document that must be given to a retail client for the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act Note: See s761A for the exact definition.
personal advice	Financial product advice given or directed to a person (including by electronic means) in circumstances where: • the person giving the advice has considered one or more of the person's objectives, financial situation and needs; or • a reasonable person might expect the person giving the advice to have considered one or more of these matters Note: This is a definition contained in s766B(3) of the Corporations Act.
process service	The official service of documents on a party that alerts them that court proceedings have been initiated
reg 20 (for example)	A regulation of the ASIC Supervisory Cost Recovery Levy Regulations 2017 (in this example numbered 20), unless otherwise specified
registered company auditors	Has the meaning given in reg 18 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
registered liquidator	A person registered by ASIC under s20-30 of Sch 2 to the Corporations Act
registered scheme	A managed investment scheme that is registered under s601EB of the Corporations Act
registrable superannuation entity	Has the meaning given in the *Superannuation Industry (Supervision) Act 1993*
relevant financial product	A financial product other than a basic banking product, general insurance product, consumer credit insurance, or a combination of any of these products: see s922C of the Corporations Act
responsible entity	A responsible entity of a registered scheme as defined in s9 of the Corporations Act
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001

Term	Meaning in this document
retail OTC derivatives issuers	Has the meaning given in reg 61 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
RG 212 (for example)	An ASIC regulatory guide (in this example numbered 212)
risk management product providers	Has the meaning given in reg 71 of the Cost Recovery Levy Regulations
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
RSE licensee	A registrable superannuation entity licensee—has the meaning given in s10 of the *Superannuation Industry (Supervision) Act 199*3
s912C (for example)	A section of the Corporations Act (in this example numbered 912C), unless otherwise specified
SCT	Superannuation Complaints Tribunal
securities dealers	Has the meaning given in reg 67 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
SIS Act	*Superannuation Industry (Supervision) Act 1993*
small amount credit contract	Has the meaning given in s5 of the National Credit Act
small proprietary companies	Has the meaning given in s45A(2) of the Corporations Act
SMSF	A self-managed superannuation fund
superannuation fund	Has the meaning given in s10(1) of the SIS Act
superannuation trustee	A person or group of persons licenced by APRA under s29D of the SIS Act to operate a registrable superannuation entity (e.g. superannuation fund) (also known as an ‘RSE licensee’)
supervisory college	Supervisory colleges were established to facilitate the exchange of information between the supervisors of internationally active credit rating agencies, to foster more effective supervision of these agencies
Takeovers Panel	The panel established under s171 of the ASIC Act and given various powers under Pt 6.10 of the Corporations Act
Tier 1 CS facility	Has the meaning given in reg 54 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Tier 2 CS facility	Has the meaning given in reg 55 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
Tier 3 CS facility	Has the meaning given in reg 56 of the ASIC Supervisory Cost Recovery Levy Regulations 2017

Term	Meaning in this document
Tier 4 CS facility	Has the meaning given in reg 57 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
threats, harms and behaviours framework	Has the meaning given in paragraphs 44–45
traditional trustee company services	Has the meaning given in s601RAC(1) of the Corporations Act, and includes: • performing estate management functions (as defined in s601RAC(2)); • preparing a will, a trust instrument, a power of attorney or an agency arrangement; • applying for probate of a will, applying for grant of letters of administration, or electing to administer a deceased estate; • establishing and operating common funds; and • any other services prescribed by the regulations for the purpose of s601RAC(1)
unlisted public companies	Has the meaning given in reg 17 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
weighted average hourly rate	Has the meaning given in paragraphs 397–400
wholesale client	A client who is not a retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001
wholesale electricity dealers	Has the meaning given in reg 62 of the ASIC Supervisory Cost Recovery Levy Regulations 2017
wholesale trustee	Has the meaning given in reg 37 of the ASIC Supervisory Cost Recovery Levy Regulations 2017

Related information

Headnotes

cost recovery, education, enforcement, fees for service, flat levy, graduated levy, guidance, industry engagement, industry funding model, levies, policy advice, regulatory activity, regulatory costs, stakeholder engagement, surveillance

Instruments

ASIC (Fees—Complexity Criteria) Instrument 2018/578

Regulatory guides

RG 25 *Takeovers: False and misleading statements*

RG 51 *Applications for relief*

RG 97 *Disclosing fees and costs in PDSs and periodic statements*

RG 160 *Time-sharing schemes*

RG 180 *Auditor registration*

RG 209 *Credit licensing: Responsible lending conduct*

RG 212 *Client money relating to dealing in OTC derivatives*

RG 228 *Prospectuses: Effective disclosure for retail investors*

RG 247 *Effective disclosure in an operating and financial review*

Legislation

Asia Region Funds Passport Regulations 2018

ASIC Act

ASIC Supervisory Cost Recovery Levy (Collection) Act 2017

ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017

ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Regulations 2017

ASIC Supervisory Cost Recovery Levy (Enhancements) Regulations 2018

Australian Charities and Not-for-profits Commission Act 2012

Corporations Act, Ch 5; Pts 7.2, 7.3, 7.5A, 7.5B; s601EA, 764A, 791C, 795B, 827A, 910A, 911A(2)(l), 912C, 922C, 926A(2), 1324, 1325A

Corporations Amendment (Asia Region Funds Passport) Regulations 2018

Corporations Amendment (Crowd-sourced Funding) Act 2017

Corporations (Fees) Act 2001

Corporations (Fees) Amendment (ASIC Fees) Act 2018

Corporations (Review Fees) Regulations 2003

Cost Recovery Levy Act, s10(6)(b)

Cost Recovery Levy Regulations, regs 20, 72(2)

Insolvency Law Reform Act 2016

Insurance Act 1973

Legislation Act 2003

Life Insurance Act 1995, s21

National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Act 2018

National Credit Act, s5; Sch 1, s204

Public Governance, Performance and Accountability Act 2013, s39(1)(a)

SIS Act

Superannuation Industry (Supervision) Amendment (ASIC Fees) Act 2018

Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Act 2018

Treasury Laws Amendment (2017 Measures No. 5) Act 2018

Treasury Laws Amendment (ASIC Cost Recovery and Fees) Regulations 2019 (exposure draft)

Treasury Laws Amendment (ASIC Fees) Regulations 2018

Reports

REP 566 *Surveillance of credit rating agencies*

REP 618 *Regulator Performance Framework: ASIC self-assessment 2017–18*

REP 621 *Roadblocks and roundabouts: A review of car insurance claim investigations*

REP 622 *Consumer credit insurance: Poor value products and harmful sales practices*

REP 633 *Holes in the safety net: a review of TPD insurance claims*

REP 650 *Overview of licensing and professional registration applications: July 2018 to June 2019*

REP 654 *Overview of decisions on relief applications (April 2019 to September 2019)*

REP 659 *ASIC regulation of corporate finance: July to December 2019*

Information sheets

INFO 203 *Impairment of non-financial assets: Materials for directors*

ASIC forms

See Appendix 2

Rules

ASIC Derivative Trade Repository Rules 2013

ASIC Client Money Reporting Rules 2017

Other ASIC documents

Annual Report 2018–19

Corporate Plan 2019–23: Focus 2019–20

ASIC service charter

Non-ASIC documents

Council of Financial Regulators, *Application of the regulatory influence framework for cross-border central counterparties*, March 2014

Department of Finance, *Australian Government Charging Framework: Resource Management Guide No. 302*

Department of Finance, Australian Government Cost Recovery Guidelines

Frydenberg, Josh, *Record funding and resources for ASIC and APRA to help restore trust in Australia's financial sector*, 22 March 2019

FSI, *Financial System Inquiry: Final report*, December 2014

IOSCO, *Code of Conduct Fundamentals for Credit Rating Agencies* (PDF 918 KB), March 2015

O'Dwyer, Kelly, *Registered charities not required to pay ASIC levy*, July 2018

O'Dwyer, Kelly, and Morrison, Scott, *Turnbull Government expands ASIC's armoury*, August 2018

Senate Economics References Committee, *Performance of the Australian Securities and Investments Commission*, June 2014

Treasury, *Introduction of Australian Securities and Investments Commission's fees for service under the industry funding model: Consultation paper*, November 2017

Treasury, *Proposed industry funding model for the Australian Securities and Investments Commission: Consultation paper*, August 2015