

9 June 2023

Director
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: supervisorylevies@treasury.gov.au

Dear Sir/Madam,

Proposed Financial Institutions Supervisory Levies for 2023-24 Discussion Paper (“the Discussion Paper”)

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

The Financial Institutions Supervisory Levies (the “levies”) aim to recover the expenses incurred by the Australian Prudential Regulation Authority (APRA) for supervising entities under its regulation. This is carried out in accordance with the Australian Government Charging Framework and the Cost Recovery Guidelines (CRGs). Other agencies including the Australian Taxation Office (ATO), Australian Competition and Consumer Commission (ACCC), Gateway Network Governance Body (GNGB) and Treasury recoup their costs through this levy. Cost recovery carried out by the Australian Securities and Investments Commission (ASIC) follows a separate industry funding model.

An updated Cost Recovery Implementation Statement (CRIS) is expected to be released by June 30 2023. We believe that it is a requirement of the CRGs that a CRIS should have been made available prior to this consultation, and strongly urge release of this document sooner. Providing stakeholders with this statement prior to, or at the same time as this discussion paper – even in draft form – would help us assess the impact of the levies more effectively.

This submission will primarily address the aspects of the [Discussion Paper](#) that affect large APRA-regulated superannuation funds. Our comments in relation to other APRA-regulated superannuation funds are limited. We wish to express support for maintenance of the levy amount for APRA-regulated Small APRA Funds (SAFs) and Single Member Approved Deposit Funds (SMADFs) at \$590 per fund for 2023-24. We do not intend to comment on the application of the levies to Pooled Superannuation Trusts (PSTs) in this submission.

Regarding large superannuation funds regulated by APRA, we acknowledge that the existing tiered charging structure, consisting of a restricted component (with an unchanged maximum of \$800,000 and an increased minimum of \$12,500) and an unrestricted component, remains mostly unchanged. However, there are slight increases in the percentage rates for each component. For example, a large fund with total assets of \$272 billion and 2.88 million member accounts would be charged a total of \$18.9 million in 2023-24, an increase from the \$17.2 million in 2022-23. This corresponds to a cost of \$6.57 per member account annually, up from \$5.99. Overall, this levy represents 0.007 per cent of total fund assets.

On the other hand, a smaller fund (in the large APRA-regulated fund classification) with total assets of \$31.3 million and 183 member accounts would pass on \$79.70 to each member account annually. This is twelve times the per member cost of the levies to a large fund and represents a proportional cost of 0.047 per cent of the fund's total assets, which is nearly seven times the proportionate charge for the large fund.

While we understand that the funding basis aligns with the size of the fund in terms of total assets, we have three observations to make:

1. Funds with fewer member accounts will pass on higher costs to each member account in order to cover the levies.

2. Due to the minimum rate charged for the restricted component, funds smaller than approximately \$160 million must pass the full minimum of this component on to their members, which is relatively high compared to their overall member assets.
3. A proportional charge per member of 0.047 per cent is roughly equivalent to what a number of superannuation funds¹ charge in investment management fees on indexed Australian equities options.

We acknowledge that the government's current policy aims to encourage mergers and reduce fees for superannuation fund members, leading to future benefits. However, we believe that the cost imposed on members of small funds in the interim is disproportionately burdensome when considering factors other than member account balances. Therefore, we recommend exploring ways to ensure that small funds are not disproportionately charged, such as capping the levies to the fund based on per member or FUM percentage costs, removing the minimum charge from the restricted component, or introducing a new tier for small funds in the large APRA-regulated fund category.

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

If you have any queries regarding this submission, please contact Richard Webb, Senior Manager, Financial Planning and Superannuation Policy on 0422 939 957 or richard.webb@cpaaustralia.com.au.

Yours sincerely,

Elinor Kasapidis

Head of Policy and Advocacy

¹ For example, Hostplus and Aware Super presently quote investment management fees of 0.03% and 0.05% per annum, respectively, on their indexed Australian equities options.