Australian Banking Association

12 June 2020

Claire McKay
Manager
Banking and Access to Finance | Financial System Division
The Treasury
Langton Crescent, Parkes
ACT 2600
By email: supervisorylevies@treasury.gov.au

Dear Ms McKay

Proposed Financial Institutions Supervisory Levies for 2020-21

The ABA welcomes the opportunity to make a submission regarding the Financial Institutions Supervisory Levies (FISL) that will apply for the 2020-21 financial year. We support appropriate cost reflective funding of the Australian Prudential Regulation Authority on the basis that an adequately resourced regulator will ensure its regulatory mandate is undertaken in a timely and effective way.

The levy amounts contained in the paper are currently subject to legislation before Parliament and are expected to be considered before 30 June 2020. The ABA is supportive of the legislative amendments on the basis that they will reduce cross-subsidisation between entities and more closely reflect the actual supervisory costs incurred by APRA.

Without legislative amendment, the regulatory costs for smaller banks would continue to increase significantly. This may negatively impact competition and the increased costs would unnecessarily constrain the ability of some ADIs to continue lending to business and customers to support economic growth.

The ABA appreciates the efforts made by the Government to secure passage of the legislation ahead of 30 June. However, we also recognise that, given the disruption caused by the current COVID-19 crisis, the legislation is not certain to proceed on time. If Parliament is unable to pass this piece of legislation by the end of the financial year, we are supportive of Treasury's proposal to defer $8.7 million of levies payable by the largest banks to 2021-22. This is a far preferable option to collecting the full amount from industry in 2020-21 and forcing smaller banks to make up the shortfall.

The ABA would also welcome an opportunity to further discuss and refine the ADI levy methodology with Treasury over the coming months. Our membership has expressed some concern regarding the potential volatility of the total asset metric that has been chosen, being EFS ARF 720.0 Item 13 "Total Assets including Intra-Group assets".

Australian Banking Association

About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers.

We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

If you have any queries in relation to this matter, please do not hesitate to contact me at Jess.Boddington@ausbanking.org.au or on 0457 481 796.

Yours sincerely

Jess Boddington

Director, Policy