CUSTOMER OWNED BANKING ASSOCIATION

www.customerownedbanking.asn.au

LEVEL 11, 35 CLARENCE STREET, SYDNEY NSW 2000 GPO BOX 4686, SYDNEY NSW 2001

10 September 2015

Mr Richard Bunting
Strategic Intelligence and Policy Branch
PO Box 13173, Law Courts
MELBOURNE VIC 8010

By email: Policy_Consultation@austrac.gov.au

Dear Richard

AUSTRAC Industry Contribution for 2015/16

Thank you for the opportunity to comment on AUSTRAC's July 2015 Consultation Paper regarding the 2015/16 Industry Contribution.

COBA is the industry body for credit unions, mutual building societies and mutual banks and, on behalf of Friendly Societies of Australia, friendly societies. Collectively, the institutions we represent have $94 billion in assets and serve more than 4 million customers. The customer owned model is the proven alternative to the listed model, delivering competition, choice, and consistently market leading levels of customer satisfaction.

The shift to full recovery of AUSTRAC costs

COBA continues to hold concerns about the appropriateness of the 2014 Budget announcement of a phased increase in AUSTRAC's industry levy, shifting from recovering 53 per cent of costs in 2013-14, to 100 per cent of AUSTRAC's costs from 2017-18 onwards.

As we have noted on a number of occasions, cost recovery of this magnitude is inconsistent with the Government's own Cost Recovery Guidelines (CRG), given that it is the Government and the community as a whole, not industry, which derives the majority of the benefits from AUSTRAC's financial intelligence activities.

The decision to dramatically increase the industry levy in this manner has also never been the subject of a Regulatory Impact Statement (RIS), despite the significant impact of this change on the institutions that AUSTRAC regulates.

We note that the AUSTRAC levy has been renamed as an "Industry Contribution," and that as such, requirements imposed by the CRG and RIS process apparently do not apply. However, changing the name of the levy should not allow such a significant policy change to evade the scrutiny of these important accountability mechanisms. COBA is concerned that this potentially sets a dangerous precedent in relation to the Government's approach to regulatory changes more generally.

The appropriate distribution of the levy

COBA notes that entities with earnings of less than $100 million will remain excluded from the earnings component. COBA supports this approach, and believes that the earnings component should only be applied to large institutions reflecting "…the additional supervision required where reporting entities became complex with a large number of designated services offered, numerous distribution channels and high volumes and values of transactions."[1]

COBA recommends the consideration be given to indexation of the various thresholds, including the $100 million threshold, to maintain their real value.

Ongoing transparency

COBA notes that in the past, AUSTRAC produced an Annual Cost Recovery Impact Statement (CRIS). This document provided details around the calculation and application of the levy.

We believe it is important that transparency around the AUSTRAC levy is retained, and we are concerned that the CRIS may be discontinued given the view that the Industry Contribution is not a cost recovery measure.

Given that the amount of funding AUSTRAC recovers from industry will be increasing significantly over the years ahead, an open and transparent CRIS is more important than ever.

COBA therefore recommends that AUSTRAC commit to the continued production and release of an annual CRIS detailing the application of the Industry Contribution.

Please contact me on or Micah Green on to discuss this submission.

Yours sincerely

LUKE LAWLER
Head of Public Affairs

[1] Flaye, *AUSTRAC Supervisory Levy Review Report*, 2013, p. 16.