Companies face levy in ASIC funding overhaul

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Australia's biggest public companies face a levy of $664,000 each under a radical overhaul of the corporate regulator's funding that will shift the cost to those who require the most attention.

The so-called industry funding model is set to hit business with a $240 million annual bill for regulation, with levies ranging from public and private companies through to auditors and the responsible entities for investment managers and superannuation funds.

Pushed by the Australian Securities & Investments Commission chairman Greg Medcraft and adopted by the federal government, the new model will raise revenue in addition to the $720m billed for the regulator's registry service.

It follows last year's reversal of cuts to ASIC's funding from the 2014 federal budget that threatened one in five jobs at the regulator, with ASIC receiving a $127.2m boost to spend on data analytics, surveillance and enforcement capabilities, as well as to accelerate the implementation of several consumer protection measures recommended as part of the Financial System Inquiry. Finance Minister Mathias Cormann said the government wanted the industry funding model in place from July 1.

"Industry funding is a critical component of the government's plan to improve consumer outcomes in the financial system,'' Senator Cormann said.

"Industry funding for ASIC will ensure that ASIC's regulatory costs are recovered from those entities that create the need for regulation. This will make industry more accountable and by increasing transparency of ASIC's costs and activities make ASIC a stronger regulator."

The government has also completed a review of ASIC's enforcement regime amid calls for stronger powers and higher penalties to deter misconduct and foster consumer confidence, and completed a capability review to ensure it is operating in line with global best practice.

Draft legislation released yesterday said public companies with a market value of $5m or less would have to pay $4000 a year as a levy to the regulator, while those with a market value of more than $20 billion faced a bill of $664,000.

On market valuations, that maximum bill would apply to 14 of Australia's biggest companies, including all four of the major banks plus Macquarie Group, Westfield's Australian operations Scentre Group, Telstra, Woolworths, Wesfarmers, BHP Billiton, Rio Tinto, Woodside Petroleum and toll-road operator Transurban. Companies in between the two thresholds face a levy of $4000 plus a share of total market capitalisation.

Private companies face a flat levy based on ASIC's total costs for regulating a sector divided by the number of entities in the sector.

ASIC will continue to receive annual funding from the government, with the levies paid into consolidated revenue. That was expected to mitigate any volatility in the revenue of ASIC caused by sudden rises or falls in the value of public companies on which the levy is calculated.

The new model includes variable fees for a host of intermediaries such as credit and deposit providers who will pay a minimum $2000 a year and more for the value of deposits or credit over $100m a year. It will also catch the superannuation industry, with investors, responsible entities and superannuation trustees facing fees of $7000-$10,000, plus variable components based on their assets or their share of revenue across the industry.
