



Policy costing

Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers

Party:

Australian Greens

Summary of proposal:

This proposal has four components that would provide funding for banking regulation changes.

- Component 1: Install the ACCC as the conduct (competition and consumer) regulator over retail banks, large superannuation funds, insurance companies and retail grade intermediaries, and maintain ASIC as the conduct regulator for the rest of the financial sector.
- Component 2: Increase the amount of funding for the ACCC and ASIC to undertake conduct regulation over the financial sector. The increased amount would be the difference between the funding provided to ASIC in 2010-11 (adjusted for inflation) and ASIC's current funding level, and would be allocated evenly between the ACCC and ASIC. The increased funding amounts for ASIC and the ACCC would be financed via additional Commonwealth spending and offset by ASIC levying arrangements.
- Component 3: Install an independent Chair of the Council of Financial Regulators, with funding provided through additional appropriations to The Treasury.
- Component 4: Establish a Financial Regulators Assessment Board, with funding provided through additional appropriations to The Treasury.

The proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$26.0 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in departmental expenses, partially offset by levy revenue. A breakdown of the financial implications over this period is provided at [Attachment A](#).

This proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period, at a level similar to the impact in 2021-22. This impact includes an ongoing levy revenue amount of around \$0.7 million from 2023-24.

The financial implications of the proposal are highly sensitive to assumptions about the number of staff required under Component 1, and the remuneration of the independent Chair and Board under Components 3 and 4, respectively.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-11.2	-1.6	-6.3	-7.1	-26.0
Underlying cash balance	-11.2	-1.6	-6.3	-7.1	-26.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- A total of 150 staff would be transferred from ASIC and the Australian Prudential Regulation Authority (APRA) to the ACCC under Component 1.
- Baseline and proposed funding levels for ASIC would grow by changes in the consumer price index (CPI) over the 2019-20 Budget forward estimates period under Component 2.
- Remuneration for the Chair of the Council of Financial Regulators (Component 3) would be similar to that of the Chair of the Climate Change Authority.
- The Financial Regulators Assessment Board (Component 4) would require a similar level of funding to the Australian Medical Research Advisory Board.
- Legislation would be amended, if required, to allow the ASIC levy to fund both ASIC and the ACCC functions.

Methodology

The financial implications for each component were estimated as follows.

Component 1 was based on transferring the estimated number of ASIC and APRA staff who currently regulate competition and consumer conduct over retail banks, large superannuation funds, insurance companies and retail grade intermediaries to the ACCC.

Component 2 comprises an expense component that is largely offset by a levy component.

- The financial impact for Component 2 was estimated as the difference between the funding amount provided to ASIC in 2010-11 (adjusted for inflation) and ASIC's current funding level, subtracting the estimated amount of levy that would be raised using the existing levying arrangements.
 - This means that 91 per cent of expense funding would be offset by levy receipts and 9 per cent of expense funding would be contributed from general revenue.

Component 3 was estimated based on remuneration for the Chair of the Climate Change Authority, adjusted by the CPI.

Component 4 was based on Australian Medical Research Advisory Board costs, adjusted by the CPI.

All estimates were rounded to the nearest \$0.1 million.

Data sources

Commonwealth of Australia, 2019. *The Treasury Portfolio Budget Statements 2019-20*, [online] available at <https://treasury.gov.au/publication/portfolio-budget-statements-2019-20/> [Accessed 09.04.2019].

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Attachment A – Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers – financial implications

Table A1: Replace a weak and compromised Australian Securities and Investments Commission (ASIC) with the Australian Competition and Consumer Commission (ACCC) to fight for the rights of banking customers – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 2: Increase funding for conduct regulation - Levy</i>	-	4.6	-	-	4.6
Expenses					
<i>Departmental</i>					
<i>Component 1: Changes to conduct regulation</i>	-5.8	-5.8	-5.9	-5.9	-23.3
<i>Component 2: Increase funding for conduct regulation – ASIC</i>	-2.5	-	-	-0.4	-2.9
<i>Component 2: Increase funding for conduct regulation – ACCC</i>	-2.5	-	-	-0.4	-2.9
<i>Component 3: Install independent Chair of the Council of Financial Regulators</i>	-0.1	-0.1	-0.1	-0.1	-0.3
<i>Component 4: Establish a Financial Regulators Assessment Board</i>	-0.3	-0.3	-0.3	-0.3	-1.2
Total – expenses	-11.2	-6.2	-6.3	-7.1	-30.6
Total	-11.2	-1.6	-6.3	-7.1	-26.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.