



Australian Banking
Association

01 November 2024

Committee Secretary
Senate Economics References Committee
Department of the Senate
seniorclerk.committees.sen@aph.gov.au

Dear Secretary,

Wealth Management Companies Inquiry

The Australian Banking Association (**ABA**) welcomes the opportunity to contribute to the Senate Economics References Committee's Inquiry into Wealth Management Companies and associated implications for the Compensation Scheme of Last Resort (**CSLR**).

While noting the terms of reference for the inquiry, the ABA makes the following points.

Amounts already funded by ABA member banks

The ten largest banking and general / life insurance groups have already paid an upfront levy of around \$241 million to meet compensation claims and costs in relation to complaints lodged with AFCA between 1 November 2018 and 7 September 2022¹.

We note that \$203 million of the upfront levy related to financial advice provided by Dixon Advisory and Superannuation Services (**DASS**) and the estimated \$368 million from claims associated with the collapse of Dixon Advisory's US Masters Residential Property Fund².

After the Government's \$4.8m funding of the first levy period between 2 April and 30 June 2024, the four (4) financial subsectors of the CSLR scheme are expected to fund a further \$24.1m for the second levy period between 1 July 2024 and 30 June 2025³.

ABA member banks have supported CSLR implementation and have designed their own internal processes and arrangements to support the scheme in its approved form and agreed contributions across the four sub sectors.

Future CSLR design considerations

The ABA has previously highlighted the following points which should be included in any future design considerations:

- The CSLR should be a scheme of last resort and only relied upon after any alternative compensation arrangements have been fully pursued. This includes access to cash reserves of the AFS licensee or credit licensee responsible for a customer's loss, recovery from company directors, corporate bodies, and any professional indemnity insurance available. The ABA looks forward to the Committee doing its work to fully inquire and report on whether the CSLR has been utilised in a 'last resort' nature to date, or whether further options could have been pursued before the scheme was utilised in regard to Dixon Advisory cases.
- Under section 1069H(5)(b)) of the Corporations Act regarding Ministerial Discretion, the Minister must consider the impact of imposing a special levy on the viability of the specified sub-sector and the financial system more broadly. We have previously highlighted that the CSLR scheme

¹ Finity Consulting Pre-CSLR Complaints Initial Estimate. December 2023.

² See above.

³ [CSLR Website. 1st and 2nd levy period estimates.](#)



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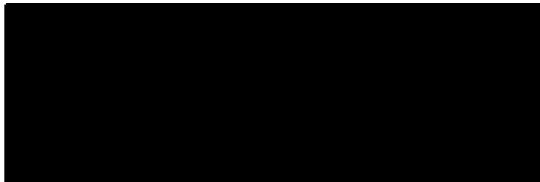
allows losses instigated by a single sub-sector's oversight to be allocated among uninvolved sub-sectors.

- Any application of Ministerial Discretion must not exacerbate further cross subsidisation by creating a precedent which does not encourage sub sectors who have created losses (paid for by other sub sectors) to uplift their own standards and reduce / prevent future harm to Australian consumers.

Again, we thank the Committee in advance for the opportunity to contribute.

Please contact Andrew Hallam, Director, Government Relations and Communications
([REDACTED]) if you require further information.

Yours sincerely,



Chris Taylor
Chief of Policy