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The Parliament of the Commonwealth of Australia

# Advisory report on the Corporations (Fees) Amendment Bill 2011

House of Representatives  
Standing Committee on Economics

September 2011  
Canberra

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## Foreword

The Corporations (Fees) Amendment Bill 2011 is a very simple piece of legislation that allows ASIC to charge market participants (such as stockbrokers) fees to support its supervision of exchange markets. The fees will be set in regulations to be gazetted after the Bill becomes law.

The Bill is part of a wider Government policy to improve Australia's position as a financial centre. Previous Government reforms have enabled other firms to operate exchanges in addition to the ASX. As a result, Chi-X Australia will commence operating a market for cash equity shares later in the year subject to a number of conditions being met. This threat of competition has brought down ASX costs to market participants by approximately \$20 million annually with the potential for further reductions. The ASX has also introduced a wider range of services for market participants.

There are several key reasons to support the Bill. In particular, it complies with the Government's cost recovery guidelines, which were developed by the previous government in 2005. Simply, the finance industry is receiving a direct, significant benefit from ASIC's supervision of markets and stockbrokers are responsible for a significant portion of the time and effort that ASIC expends on supervision.

Further, asking stockbrokers to pay for supervision prevents the complications of the Government charging market operators, who would then pass on the costs to stockbrokers. Brokers may be reluctant to give some of their business to Chi-X or another entrant if the pass-through of costs affected the new entrant's competitiveness. Charging stockbrokers also prevents incumbent market operators from cross-subsidising parts of their business subject to new competition.

An important ancillary issue in the inquiry is the fees that ASIC will charge under regulations. This is currently the subject of Treasury consultation. Treasury has

issued a comprehensive consultation paper, which will serve as an appropriate basis for designing the fee structure. Industry raised legitimate concerns about proposals in the consultation paper. The committee anticipates that Treasury will respond to these concerns, either through further explaining its position or by making appropriate changes.

The Bill should pass because it is an appropriate way of funding ASIC's market supervision activities. It is not the centrepiece of the shift to competition, but it is informed by competition principles and will be an important part of the 'competition infrastructure'.

I would like to thank the organisations that assisted the committee during the inquiry through submissions or participating in the hearing in Canberra. I also thank my colleagues on the committee for their contribution to the report.

Julie Owens MP  
Chair



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## Membership of the Committee

Chair	Ms Julie Owens MP
Deputy Chair	Ms Kelly O'Dwyer MP
Members	Mr Scott Buchholz MP Mr Stephen Jones MP Dr Andrew Leigh MP Mr Tony Smith MP Mr Craig Thomson MP

## Committee Secretariat

Secretary	Mr Stephen Boyd
Inquiry Secretary	Mr David Monk
Research Officer	Dr Phillip Hilton
Administrative Officer	Ms Natasha Petrovic



## Terms of reference

On 24 August 2011, the Selection Committee asked the Committee to inquire into and report on the Corporations (Fees) Amendment Bill 2011.

Under Standing Order 222(e), the House is taken to have adopted the Selection Committee's reports when they are presented.





## List of abbreviations

ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
AFMA	Australian Financial Markets Association



# Recommendation

## Recommendation 1

The House of Representatives pass the Corporations (Fees) Amendment Bill 2011.