Bendigo and Adelaide Bank

10 June 2016

Manager
Banking, Insurance and Capital Markets Unit
Financial System Division
The Treasury
By Email: supervisorylevies@treasury.gov.au

Dear Manager,

Proposed Financial Institutions Supervisory Levies for 2016-2017

Thank you for the opportunity to tender a submission on the *Proposed Financial Institutions Supervisory Levies for 2016-2017* discussion paper released on 6 May 2016 (**the Discussion Paper**). We would be grateful if you would consider the issues raised in this brief submission despite its late production.

The Discussion Paper provides that:

"*APRA takes a risk-based approach to supervision that is designed to identify and assess those areas of greatest risk to an APRA-regulated institution and then direct supervisory resources and attention to these risks*".

While the stated aim of the levies is to ensure that the cost of regulation is recovered from those who benefit from it, the methodology for calculating the levies, in our submission, unfairly favours larger institutions. For example, on our calculations the contribution to the levy by the four major banks amounts to 0.001% of their total assets and the contribution by Bendigo and Adelaide Bank amounts to 0.005% of its total assets. In other words, on a proportional basis Bendigo and Adelaide Bank's contribution exceeds each of the major bank's contributions by a factor of five.

Of course, we do not have access to information that would enable us to determine whether the disproportionate nature of the proposed supervisory levy for 2016/17 has been applied so that the cost of that regulation is distributed in proportion with the level of supervision required, however we can clearly determine that the method for calculating the levies is yet another instance of where the regulatory framework places the Bank at a competitive disadvantage.

The disproportionate and uncompetitive nature of the levy, which has been an issue for a number of years, has become particularly acute in this coming year because the component of the levy relating to ASIC regulatory costs will increase 2.5 times in 2016-17.

It has been said that the government will equip ASIC with stronger powers and funding to combat misconduct in the financial services industry and that the increased funding for ASIC will allow for increased review and enforcement focusing specifically on the financial advice and life insurance sectors. Those institutions that face greater risks and thus require closer supervision should accordingly be charged a levy that reflects the more rigorous supervision. In our submission, the proposed structure for calculating the levy does not at all correlate with the use of the funds being raised for ASIC. The supervisory levies are not calculated according to an institution's risk or non-compliance, but are reckoned according to the value of an institution's resident assets in the previous financial year. Such a calculation is unfair and inequitable for Bendigo and Adelaide Bank.

While the Bank supports APRA and ASIC's roles and the application of supervisory levies to fund those activities, a fairer and more equitable methodology should be applied to calculate the manner in which the costs are distributed.

A methodology that applied a single, proportionate rate across all regulated institutions would, in our view, provide a much fairer and more equitable outcome.

If you wish to discuss any of the matters raised in the submission please contact me on (03) 5485 6774 or by email will.conlan@bendigoadelaide.com.au .

Yours sincerely,

Will Conlan
Company Secretary