



MEDIA RELEASE

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FSC STATEMENT ON COMPENSATION SCHEME OF LAST RESORT SPECIAL LEVY TREASURY CONSULTATION

The Financial Services Council (FSC) welcomes the careful and consultative approach the Assistant Treasurer Dr Daniel Mulino has taken with the Treasury consultation released today in considering how to exercise his discretion to impose a special levy to meet the significant funding shortfall in the costs of the Compensation Scheme of Last Resort (CSLR).

The industry recognises the distress experienced by individuals affected by financial misconduct and supports appropriate redress. For the continued ability of the scheme to compensate consumers, the scheme must be made sustainable.

The FSC urges the Assistant Treasurer to provide the industry with confidence that the scheme will be brought under control before proceeding with any decision on a special levy.

CEO of the FSC Blake Briggs said: “The FSC will closely review the options outlined in the consultation paper. The industry welcomes the Minister’s engagement on the CSLR special levy. In considering whether and how to determine a special levy, the Minister should have regard to the risk of entrenching further moral hazard into the scheme through underwriting investment losses, the financial sustainability and viability of sub-sectors, and spreading the cost as widely as possible to minimise the burden on any one sector.

“We encourage the Minister to prioritise responding to the outcomes of Treasury’s review of the design of the scheme. That review was established to assess the scheme’s framework, scope and sustainability on an ongoing basis. If the industry is going to bear the costs of the \$47 million special levy, the industry needs assurance that the scheme will not continue to blow out year on year.

“Already we have seen the scheme blow out by 840 per cent from Treasury’s initial estimate of \$8.1 million per year to \$75.7 million. It is simply not sustainable to have an indeterminate and growing liability being imposed on the parts of the sector doing the right thing, to pay for the sins of others.”

In July, the CSLR Operator announced the revised levy estimate of \$75.7 million, with \$67.3 million of this sum attributable to the personal advice sector.

The financial adviser population has fallen by over 44 per cent since 2019, but levy costs have continued to rise, increasing the burden on those who remain active and compliant.

The FSC will work constructively with Treasury and provide a formal submission to the consultation.

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About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.