



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

21 June 2007

The Manager
Prudential Policy - Banking Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir

Proposed Financial Sector Levies For 2007/08

Thank you for the opportunity to comment on the proposed financial sector levies for 2007/08.

Abacus – Australian Mutuals is the industry association for all of Australia's credit unions and mutual building societies. There are 150 mutual ADIs in Australia with more than 4 million members and \$60 billion in assets. Abacus has been a strong advocate for more equitable outcomes in financial sector levies and has been a strong supporter of the current two-tiered levy framework that recognises both individual and systemic risk in the ADI sector.

We have reviewed the discussion paper released by the Treasury and APRA and note the significant budget increases proposed for APRA in the 2007/08 year. We also note that the sectoral levy system appears to be working well, with the increased supervision of non-ADI sectors being fairly recognised albeit ameliorated by the four-year moving average. We also support the allocation of direct costs, such as the increase in ATO costs being costed directly to the relevant industry sector.

We are pleased to note that the overall net funding requirement for ADIs will fall in the 2007/08 year and that APRA will continue to focus on large and complex institutions as part of its risk-based approach.

Given these parameters, we have reviewed the proposed approaches set out in the discussion paper. It is clear that scenario 1 is simply not acceptable as it would lead to almost \$17 million levies being raised in excess of requirements.

In terms of scenarios 2 and 3, Abacus strongly opposes any reduction in the levy that favours only the largest institutions. The mutual ADI sector spent considerable time working with Treasury to create a more equitable levy framework. Simply reducing the maximum caps as proposed under scenario 3 would reverse these equity gains in favour of the largest banks without any policy justification at all.

Abacus strongly supports Treasury's and APRA's preferred approach as outlined in scenario 2. This scenario spreads the benefits of reduced costs across all ADIs and maintains the more equitable levy framework established in 2005.

If you have any questions, please do not hesitate to contact me on (02) 8299 9053 or at mdegotardi@abacus.org.au .

Yours sincerely,

A handwritten signature in black ink that reads "Mark Degotardi". The signature is written in a cursive style with a period at the end.

MARK DEGOTARDI
Senior Adviser – Policy and Public Affairs