25 July 2025

The Treasury
Langton Crescent
Parkes ACT 2600

Submitted online

Economic Reform Roundtable Consultation

The Australian Financial Markets Association (AFMA) is responding to the Treasury's request for proposals to be considered as part of the upcoming August 2025 Economic Reform Roundtable.

AFMA is the peak industry body for Australia's financial markets industry. We represent over 130 key financial market participants including all major Australian banks, regional Australian banks, leading international banks, global brokers, all government treasury corporations, Australian superannuation funds, asset managers, large energy firms, carbon market participants and critical legal and market infrastructure providers. AFMA stands for efficiency, integrity, and professionalism.

At their core, financial markets contribute to increased productivity and economic growth across the Australian economy in two key ways:

- providing high quality, innovative and cost-effective funding, financial intermediation and risk management and investment services to Australian businesses; and
- enhancing the attractiveness of Australia as an international financial centre, by providing services to overseas clients, investment opportunities in Australia, and generating employment, investment, and tax revenue in Australia.

AFMA provides nine proposals to boost national productivity, dynamism, and growth in the appendix. Our proposals are simple in nature – low to no cost, targeted, easily actionable, and directly deliver productivity lifts for Australia. Simple and measured productivity gains like these are essential to deliver across the key sectors of the Australian economy to reverse Australia's dwindling productivity which has left our significant GDP contributors facing a myriad of increasing and inefficient regulation, costly measures, and resource intensive requirements. Returning pragmatism and holistic engagement to the policy and regulatory process must be a key part of reshaping the Australian economy to drive increased output. Australia is perceived as an expensive and challenging place to do business and our reputation is falling relative to peers. The cost savings and benefits arising from our suggestions should not be underestimated. AFMA estimates that more efficient regulation could save industry more than $100 million collectively per annum, reduce unnecessary regulatory burden and assist business to grow and invest.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Brett Harper via bharper@afma.com.au or 02 9776 7977.

Yours sincerely,

Brett E. Harper

Brett Harper
Chief Executive Officer

Appendix

Proposal 1

Redefine the Statement of Expectations for ASIC, APRA, AUSTRAC, ACCC, AER, CER, and AEMC to include the objectives of improving productivity, competition, and economic growth. Actions taken by these bodies should be assessed against these goals.

☐ New proposal ☑ Reform proposal ☐ Tax proposal

Key benefits

- Clear and defined national collective focus on boosting productivity and economic growth
- Sends a pro-investment message
- Keeps Australia on pace with international peers and competitors, including the UK and Singapore

Executive Summary

It is important that regulators be required to consider the best interests of the Australian economy. A refocused approach to regulation and enforcement would boost industry's ability to target growth, realign with other global regulators and foster a shared ambition between government, regulators, and industry. Redefining these expectations in the formal Statements of Expectation is a simple yet important tool to enact change in approaches to regulation and supervision by additionally proscribing the need for consideration of productivity, global competitiveness and economic growth when discharging duties.

Existing Instrument or Document	Regulator Performance Resource Management Guide 12 Current Statements of Expectations
Implementation duration	Short term
Budget implication	Nil cost, higher revenue

Proposal 2

Address the reform proposals identified by the Australian Law Reform Commission (ALRC) in relation to the Corporations Act including the formation of a small group to drive and oversee the required changes to legislation. Use the taskforce to address wasteful complication and complexity in relation to retail (consumer protection) and wholesale (market conduct) legislation.

☑ New proposal ☐ Reform proposal ☐ Tax proposal

Key benefits

- Substantially reduces compliance costs and complexities for industry and regulators
- Provides a benchmark for future efficient and streamlined legislation
- Makes conducting business easier due to more certain legal settings

Executive Summary

Reform of the *Corporations Act 2001* is necessary. Over a year on from the ALRC's report to Government, we are yet to see a pathway for reform, including in the recently published Regulatory Initiatives Grid. The current state of the Corporations Act makes business operations complex, costly, and challenging for both industry and regulators alike. AFMA, our peers and industry, strongly support the ALRC's recommendation to establish a taskforce to carry forward the recommended reforms. Such a taskforce would also be well placed to provide Government advice in relation to the regulation, oversight, and policy formation process of retail (consumer protection) and wholesale (market conduct) legislation. Wholesale markets service an entirely separate cohort and sophistication of clients than retail and consumer markets. The current law is unwieldy and costly and conflates retail and wholesale issues. We note the UK Government recently tasked its financial markets regulator with assessing the impact of the Consumer Duty and whether it unduly complicates wholesale regulation.

Existing Instrument or Document	Corporations Act 2001 Recommendation 54, ALRC Report 141
Implementation duration	Medium term
Budget implication	≈<$1m per annum. *Based on the operating costs of a previous comparable body

Proposal 3

Substantially improve government and regulator communication and consultation practices with industry to avoid unintended consequences and cost for government and industry.

☐ New proposal ☑ Reform proposal ☐ Tax proposal

Key benefits

- Enhances quality of stakeholder and community engagement
- Avoids unintended consequences
- Drives more productive policy outcomes

Executive Summary

Government and regulators should not underestimate the waste and unnecessary costs arising from poor engagement and consultation processes that require industry to respond to proposals that are not well conceived or developed. Too often there have been unintended consequences and missed opportunities that could have been avoided by better co-ordination between government, authorities, and industry. AFMA strongly believes that higher quality collaboration will lead to materially better policy and regulatory outcomes for all. Post implementation reviews should be conducted for material legislative or regulatory change. The reviews should be independent, and the findings of the reviews should be disclosed.

Existing Instrument or Document	Best Practice Consultation Guidelines Guide to Policy Impact Analysis
Implementation duration	Short term
Budget implication	Nil

Proposal 4

Reinstate the biennial review cycle of the Financial Regulator Assessment Authority (FRAA)

☐ New proposal ☑ Reform proposal ☐ Tax proposal

Key benefits

- Ensures the ongoing supervisory effectiveness and capabilities of Australia's peak financial regulators
- Boosts transparency and accountability
- Requires regulators to be measured to the same standard as industry

Executive Summary

FRAA reviews of both APRA and ASIC are essential in ensuring the effectiveness and capability of our financial regulators. Despite the modest cost of maintaining the Royal Commission mandated biennial review cycle, ever-growing regulatory priorities of regulators and changing nature of finance globally, the reviews were reduced to five yearly at the 2023-24 Budget. A five yearly review cycle is of minimal value and should not proceed. The two-year cycle should be reinstated.

Existing Instrument or Document	Recommendation 6.14, Final Report Volume 1, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
Implementation duration	Short term
Budget implication	≈$7.7m over three years *Based on the most recent funding allocation

Proposal 5

Adopt an 'international alignment first' approach, making this the starting position in policy formation, only diverging from international standards where necessary.

☑ New proposal ☐ Reform proposal ☐ Tax proposal

Key benefits

- Puts international precedent at the heart of policy formation
- Definitively requires offshore considerations
- Opens dialogue with international counterparts for productive regulation

Executive Summary

Developing policy or regulatory proposals on the basis of pre-existing globally acceptable standards and/ or from other comparable jurisdictions would ensure more efficient regulatory processes and lead to increased productivity for Australia.

Existing Instrument or Document	The 7 Impact Analysis questions- Guide to Policy Impact Analysis - see guidance from Department of Prime Minister and Cabinet
Implementation duration	Short term
Budget implication	Nil

Proposal 6

Empower Austrade to champion financial services through a targeted campaign and supporting initiatives

☑ New proposal ☐ Reform proposal ☐ Tax proposal

Key benefits

- An engaged champion of Australia as a top destination for global capital to boost investment
- Realigns Australia's investment approach with our competitors
- Provides investors assistance to set up in Australia

<u>Executive Summary</u>

Growing the economy requires the support of Government to champion the nation's key sectors to attract business to and investment in Australia. Industry cannot be the lone voice. Austrade is well placed to support investment and business attraction in the financial services sector. The UK has taken recent actions to drive business into the country including launching a scale-up unit to support innovative FINTECH firms to grow in the UK and launching a new Office for Investments, a concierge service to provide a tailored service to companies considering setting up and expanding in the UK. Further, the City of London Corporation acts as a champion for industry. Currently, Australia is without a dedicated champion that publicises the attractiveness of Australia as a place to do financial business and as a destination for capital.

Existing Instrument or Document	N/A
Implementation duration	Medium term
Budget implication	Nil

Proposal 7

Legislate the Global Markets Incentive to attract/retain global financial centre business in Australia

☐ New proposal ☐ Reform proposal ☑ Tax proposal

Key benefits

- Halts the decline of Australia's financial centre competitiveness
- Encourages mature firms to continue to operate in Australia
- Revenue accretive

Executive Summary

Historically, a key pillar of Australia's competitiveness as a place to conduct global financial business was the Offshore Banking Unit (OBU) regime, which imposed a concessional rate of tax of 10% on transactions with offshore counterparties over non-Australian assets. The repeal of this regime in 2023 caused a reduction in Australia's competitiveness as a place to conduct financial centre business as the applicable corporate tax rate applying to such business became 30%.

Many successful firms have established in Australia due to the benefit Australia has as a location for business, including rule of law, economic & legal stability and access to talent, as well as the OBU regime. Given the repeal of the OBU regime, there is a present opportunity for the Government to identify these financial activities that it wishes to incentivise to be done in Australia. AFMA's proposed regime for such activities, the Global Markets Incentive, has been recommended to be implemented on a bi-partisan basis.

The legislation to repeal the OBU regime forecast that the loss of business to Australia from the regime being repealed would result in the repeal being negative to Australia from a revenue perspective. As such, it follows that replacing the regime should be revenue accretive.

Existing Instrument or Document	N/A
Implementation duration	Medium term
Budget implication	Revenue Positive

Proposal 8

Implement global tax initiatives in a manner consistent with other jurisdictions

☐ New proposal ☐ Reform proposal ☑ Tax proposal

Key benefits

- Australia has agreed to implement multilateral initiatives, particularly those arising from the OECD
- Historically, Australia's implementation approach has differed from that undertaken by other key jurisdictions, resulting in duplication of effort and lack of comparability
- Australia should recognise that global firms would like a global response to such initiatives

Executive Summary

Australia is committed to implementing initiatives arising from the OECD BEPS Action Plan. Operationalisation of this commitment has occurred through Australia making domestic legislation to give effect to specific commitments and administering this legislation through the Australian Taxation Office.

Australia has a poor track record at implementing global initiatives in a bespoke way, which results in differences to the approach adopted in other jurisdictions. Key examples of this include the Public Country-by-Country reporting requirements, where Australia's legislative approach differed from that adopted by EU jurisdictions, and the implementation of the Anti-Hybrid rules.

AFMA recommends that the Government commit to implementing Australia's commitment to multilateral initiatives in a manner consistent with other key jurisdictions. This will both reduce the drain in productivity arising from an Australian-only compliance requirement and enhance Australia as a place to do business through reducing regulatory fragmentation.

Existing Instrument or Document	N/A
Implementation duration	Immediate
Budget implication	Neutral

Proposal 9

Adopt the Authorised OECD Approach to branch taxation

☐ New proposal ☐ Reform proposal ☑ Tax proposal

Key benefits

- The OECD Model Tax Treaty recommends an approach that treats branches as functionally separate enterprises for tax purposes. Most key jurisdictions adopt the recommended OECD approach
- Australia has not adopted the recommended approach and is an international outlier
- This results in double taxation and compliance issues for business that operate in Australia through a branch

Executive Summary

The current OECD Model Tax Agreement provides that, in determining the profits attributable to a branch, the branch should be treated as a functionally separate enterprise. In this way, the taxation of the branch should materially align to the taxation of a separately incorporated company.

Australia is one of only a handful of jurisdictions to not adopt the current authorised OECD approach and instead required the determination of the profits attributable to a branch as a part of the larger entity. This means, among other things, that the Australian branch is denied a tax deduction for any payment made to head office. Head office will, however, generally be assessed on the payment, thereby resulting in double taxation.

Australia's approach to branch taxation places Australia at odds with other jurisdictions and hampers productivity both through requiring a different compliance approach to other jurisdictions and also through imposing double taxation even where there is a Double Tax Agreement in place. Aligning Australia's approach to the recommended OECD approach would result in an immediate productivity benefit with no cost to revenue.

Existing Instrument or Document	N/A
Implementation duration	Immediate
Budget implication	Neutral