



**Stockbrokers and Investment
Advisers Association**

Building prosperity for Australian investors

7 October 2026

Email: CSLR@Treasury.gov.au

Director
CSLR Team
Cross-sector Regulation, Redress and Resilience Branch
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

CSLR: Application of the waterfall framework for the 2026-27 special levy

The Stockbrokers and Investment Advisers Association (SIAA) is the professional body for the stockbroking and investment advice industry. Our members are Market Participants and wealth management firms that provide securities and investment advice, execution services and equity capital-raising for Australian investors, both retail and wholesale, and for businesses. Practitioner Members are suitably qualified professionals who are employed in the securities and derivatives industry.

SIAA members represent the full range of advice providers from full-service and online brokers to execution-only participants and provide wealth advice and portfolio management services.

The history of the stockbroking profession in Australia can be found [here](#).

Our member firms are members of the Australian Financial Complaints Authority (AFCA) and subject to the Compensation Scheme of Last Resort (CSLR) and the CSLR levies. Many of our members are also subject to levies under the National Guarantee Fund that pays compensation in the event of the failure of a Market Participant.

Thank you for the opportunity to provide feedback to Treasury's consultation paper on the application of the waterfall framework for the 2026-27 special levy (Consultation Paper).

Executive Summary

- SIAA is supportive of the approach to identifying connection as outlined in the Consultation Paper.
- The personal financial advice sub-sector should not be levied more than its primary sub-sector cap. We strongly oppose any arguments that favour an increase in the Tier 1 sub-sector levy charged to the personal advice sub-sector.

- The sub-sector has already paid a number of annual levies plus the FY2026 special levy despite the losses arising from the failure or poor performance of managed investment schemes. These are amounts that would have been charged historically to other connected sub-sectors if the waterfall framework operated from implementation of the scheme.
- Licensees in the sub-sector are also impacted by Tier 3 special levies as they fall within other sub-sectors such as corporate advisers, securities dealers, Margin lenders, Large Securities Exchange Participants and managed discretionary account providers.
- Market Participants providing personal financial advice to retail clients already contribute to a compensation scheme run by the National Guarantee Fund, which currently holds over \$130 million in funds to be used in the event of a Market Participant failure.
- We are pleased that the Minister has exercised his discretion to limit the Tier 1 sub-sector levy for the personal advice sub-sector to \$10 million.
- We support the inclusion of Responsible Entities of Managed Investment Schemes as a Tier 2 sub-sector, although we consider that they should be a primary sub-sector. Superannuation Trustees should also be included as a Tier 2 sub-sector.
- Our members are willing to assist Treasury and ASIC on the issues concerning the levy metric for Large Securities Exchange Participants. A simple efficient alternative to creating a new levy metric is to eliminate those Large Securities Exchange Participants that do not have a retail AFSL from consideration in the existing messages metric.
- Successive levy imposts on the personal financial advice sub-sector will threaten the sub-sector's sustainability or result in firms avoiding retail clients to minimise exposure to the levy. We urge Treasury to expedite implementation of the proposed changes to make the CSLR sustainable.

Overview

SIAA has provided numerous submissions to Treasury on the CSLR.

To date the personal financial advice sub-sector has taken the full brunt of the impact of the scheme and paid the lion's share of the levies, notwithstanding the involvement of other subsectors, particularly managed investment schemes, in the financial losses suffered by claimants.

We consider that a key shortfall of the waterfall framework is that responsible entities of managed investment schemes are not included in the CSLR levy as a primary leviable sub-sector even though poorly performing or failed schemes are the overwhelming contributor to the costs of the CLSR. As AFCA is unable to apportion blame to managed investment schemes in its determinations, the personal financial advice sub-sector bears the full costs of failed or poorly performing managed investment schemes where advice has been provided up to the sub-sector cap of \$20 million and then as a Tier 1 leviable sub-sector under the waterfall framework.

Most investment-related losses do not solely relate to personal financial misconduct but are part of a long chain of misconduct by many entities. These entities are not subject to levies until the second tier has been activated and the personal financial advice sub-sector has already paid the levy cap of \$20 million and the Tier 1 levy.

We consider that the personal financial advice sub-sector should not be levied more than its primary sub-sector cap and we strongly oppose any arguments that favour an increase in the Tier 1 sub-sector levy charged to the personal advice sub-sector. We consider that the personal advice sub-sector has already paid more than enough levies for the following reasons:

- The sub-sector is comprised of 15,000 financial advisers, about half of the number of advisers that were in the sub-sector in 2019. This increases the amount of the levy per financial adviser.
- The sub-sector has already paid a number of annual levies plus the FY2026 special levy despite the losses arising from the failure or poor performance of managed investment schemes. In other words, the personal advice sub-sector has already paid levy amounts that would have been charged historically to other connected sub-sectors if the waterfall framework operated from implementation of the scheme.
- Licensees in the sub-sector are also impacted by Tier 3 special levies as they fall within other sub-sectors such as corporate advisers, securities dealers, Margin lenders, Large Securities Exchange Participants and managed discretionary account providers. In addition to the personal financial advice sub-sector levy, these licensees were required to pay the FY2026 special levy for various sub-sectors.
- Market Participants providing personal financial advice to retail clients are leviable under the CSLR. These entities already contribute to a compensation scheme run by the National Guarantee Fund, which currently holds over \$130 million in funds to be used in the event of a Market Participant failure. There is no recognition in the scheme design that Market Participants already contribute to a last resort scheme – they are treated like any other provider of personal financial advice to retail clients. They are also levied under the CSLR as a Large Securities Exchange Participant.

We note that broader aspects of the framework is not the subject of consultation. However, we consider that our comments are important in the context of determining the Tier 1 levy and the entities that should be included in Tier 2.

We recognise that the Minister has exercised his discretion under the legislation to limit the Tier 1 sub-sector levy for the personal advice sub-sector to \$10 million. We are pleased that this discretion has been exercised and consider that it goes some way towards recognising the matters we have set out in this submission.

Large Securities Exchange Participants

The majority of SIAA's members are Large Securities Exchange Participants.

We note that the special levy contribution imposed on the Large Securities Exchange Participant sub-sector (and the Large Futures Exchange Participant sub-sector) has been adjusted as an interim measure in advance of ASIC developing a retail-facing metric that removes institutional trading activity for the purposes of the levy calculation.

We are concerned this will involve work for Large Securities Exchange Participants to create a new metric (as none exists now) and for the industry to collate and verify the relevant data. We detailed these issues in our submission to Treasury dated 29 May 2026 where we cautioned that tinkering

with the levy metric for Large Securities Exchange Participants will require these entities to provide a different data set to ASIC that their systems are not currently designed to do.

As we have previously discussed with Treasury, a change to the entity metric would be difficult to audit and would require significant system changes that would impose a burden on our member firms. Changing the metric to exclude wholesale clients will not be simple. A client's wholesale categorisation can change during the year as their circumstances change. By way of example, their accountant certificate may lapse and may not be renewed for a period of time, during which they are classified as a retail client. Whether a client is categorised as wholesale can also depend on the amount invested in a product (under the product test) or whether they are purchasing the product as an individual or SMSF.

Treasury would be aware of the recent decisions by AFCA that it will treat SMSFs as retail clients unless they hold at least \$10 million in net assets. This may further complicate the type of clients that are categorised as wholesale for the purposes of the metric calculation. In addition, the trading activity of firms such as Stake, Westpac and Selfwealth that outsource their execution to a Trading Participant is typically counted as wholesale notwithstanding that their end clients are retail.

We consider that a simple efficient alternative is to eliminate those Large Securities Exchange Participants that do not have a retail AFSL from consideration in the existing messages metric. This would remove the majority of the institutional trading and improve the accuracy of the existing metric without creating work for those Participants who have both retail and wholesale customers (nearly all of those with retail licenses) to separate and label messages or any other metric (like trade value/volume). The effective date of this change would be an important consideration to balance competing interests.

An alternative is for ASIC to require Large Securities Exchange Participants to add a new data field to the existing regulatory messages data to indicate if an order is wholesale or not. This would take time for our members to implement and would create the issues we have highlighted above.

Our members are willing to assist Treasury and ASIC with this matter. We recommend that a meeting between Treasury and our members would be helpful to discuss the various issues we have raised. We would also like to discuss in greater detail how Treasury determined the amount of \$2,989 million for the Large Securities Exchange Participant sub-sector.

Assessment of connection under Tier 2

Question 1 Do you agree with the approach to identifying connection as outlined in the Consultation Paper. If not, what other factors should be considered?

SIAA is supportive of the approach to identifying connection as outlined in the Consultation Paper as *a product, service or regulated activity that has formed a substantive part of the pathway to consumer loss.*

Question 2 Does the proposed methodology for mapping connection appropriately identify sub-sectors connected to the underlying losses in FY2026-27?

We agree with the assessment of connection using publicly available firm, product, licensing, regulatory and court information. While we recognise that some subjectivity is involved, it would be helpful if Treasury could provide additional detail of its reasoning behind its allocation of sub-sectors

to the various Tiers and of the amounts within Tiers, particularly in relation to the specific underlying losses generating the shortfall.

a. Are there any sub-sectors which have been incorrectly included or excluded? Is there evidence that would support a different assessment of connection?

We consider that Superannuation Trustees should also be included as a Tier 2 sub-sector. While our understanding is that Superannuation Trustees were not connected to the losses arising from the Dixon Advisory claims, over \$30 million in losses is attributable to the Shield and First Guardian collapses in the FY27 special levy. That being said, we are mindful that Superannuation Trustees are being levied nearly \$24 million as a Tier 3 sub-sector.

b. Is the methodology sufficiently repeatable for application in future years?

While we consider that the methodology is repeatable for future years, our expectation is that the proposed sustainability changes will remove or at least significantly reduce the need for shortfall levies in future years. If this is not the case, further action from government will be required. For this reason, we urge Treasury to expedite implementation of the proposed changes to make the CSLR sustainable.

The aim of the scheme redesign must be to ensure that special levies in future result from a 'black swan' event rather than business as usual. The imposition of a special levy should not be a something that happens year after year.

We also consider that in future years, a greater proportion of the losses will result from the Shield and First Guardian collapses and that Superannuation Trustees will be included as a Tier 2 sub-sector along with Responsible Entities of Managed Investment Schemes. We will continue to argue that as the personal financial advice sub-sector will presumably have again paid up to its \$20 million primary sub-sector cap, it should be excised from any special levy.

Consideration of levy impact on imposed sub-sectors

Question 3 Do stakeholders consider that the application of the prescribed entity metrics gives rise to material adverse outcomes within any sub-sector?

We have consistently argued that successive levy imposts on the personal financial advice sub-sector will threaten the sub-sector's sustainability or result in firms avoiding retail clients to minimise exposure to the levy. Small advice licensees may be forced to close their doors. For larger licensees, the levies are likely to result in an increased cost of advice as they pass on the costs of these levies to their clients. This outcome runs counter to the government's objective of increasing the availability and affordability of financial advice to Australians.

We consider that the levy costs will start operating as a barrier to entry to new entrants to the sub-sector and will impact on competition.

a. If yes, what evidence supports that assessment, and why would the adverse impacts justify changes that may result in the redistribution of levy liabilities and other unintended consequences elsewhere in the framework?

A survey of members by the Financial Advice Association Australia conducted in May 2026¹ showed the anticipated CSLR levy would significantly impact Australia's financial advice landscape, with the majority of respondents saying it would push up costs for consumers and accelerate adviser exits.

While this survey preceded the Minister's announcement of the waterfall framework, it highlights the cost pressure the scheme levies are placing on the personal financial advice sub-sector.

At the other end of the scale, our larger member firms who operate in multiple sub-sectors, receive special levy notices for significant amounts, often in addition to primary sub-sector levies. We recommend Treasury considers a corporate entity cap for Tier 3 sub-sectors to ensure that diversified financial services providers are not subject to excessive levies. An entity cap will help with predictability, prevent diversified groups paying more than primary and connected sub-sectors, and incentivise specialist providers to take ownership of standards in their sub-sectors (which could reduce future losses).

Question 4 Is the viability or sustainability of any sub-sector (s) threatened by the proposed levy allocations in Table 2?

a. If yes, do you have any relevant data to support your viability assessment?

Our members do not consider that the proposed levy allocations threaten the viability of any sub-sector but we repeat our previous points that increased CSLR levies inevitably increase the costs of providing advice to retail clients.

Conclusion

If you require additional information or wish to discuss this submission in greater detail please do not hesitate to contact SIAA's policy manager, Michelle Huckel, using the contact details in the covering email.

Yours faithfully



Maria Lykouras
Chief Executive Officer

¹ <https://faaa.au/cslr-levy-to-shrink-adviser-numbers-faaa-survey/>