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Select Committee on Productivity in Australia
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Submitted online

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The Australian Financial Markets Association (AFMA) is the peak industry body for Australia's financial markets industry. We represent over 140 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.

AFMA is pleased to respond to the Select Committee on Productivity in Australia's inquiry and welcomes its establishment. With the Government seeking to undertake a productivity uplift we welcome the Parliament's scrutiny and attention to the important issue of productivity. We also note there are currently numerous agencies and bodies considering the issue of productivity and we would support this committee's attention on ensuring that those lines of inquiry being made are coordinated, efficient, and with clear timeframes and expectations from government.

1. Australia's competitiveness and benchmarking against comparable jurisdictions & the impact of regulatory and tax burden

While post-pandemic economic recovery and addressing dwindling productivity are not uniquely Australian challenges, other advanced economies have sought to reinvigorate their financial industries through a planned series of targeted initiatives to boost their financial centre competitiveness, enhancing productivity growth, driving business activity and innovation. Our greatest regional competitors now outrank us as places to do business. Singapore, Hong Kong, Seoul, Tokyo and Shanghai are all in the world's top fifteen most competitive financial centres according to the London based, Global Financial Centre Index which measures competition of financial centres on a bi-annual basis.¹ Notable actions by governments offshore have bolstered their financial centre's dynamism and competition.^{2 3} All these initiatives send a signal that the jurisdiction is open for business and that the Government, and regulators will partner with businesses to enhance the opportunities for such businesses to flourish.

In Australia, a number of recent inquiries and research, both government/parliamentary and private sector led, have highlighted regulatory and tax burdens that negatively impact the competitiveness and productivity of the financial service sector, as well as presenting opportunity or recommendations for reform or resolution to competition and productivity issues. Most notably these include:

¹ <https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-38/>

² https://assets.publishing.service.gov.uk/media/687e612692957f2ec567c621/Financial_Services_Growth_Competitiveness_Strategy_final.pdf

³ <https://world.seoul.go.kr/mayor-oh-proposed-scale-up-strategy-for-korean-economy-at-a-turning-point/>

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- the Productivity Commission’s five pillars of productivity inquiries;⁴
- the Final report of the Select Committee on Australia as a Technology and Financial Centre;⁵
- the Economic Reform Roundtable outcomes and regulators simplification;⁶
- the Australian Law Reform Commission’s final report Confronting Complexity: Reforming Corporations and Financial Services Legislation; ⁷
- the Board of Taxation Red Tape Reduction Review (findings to be presented to government in June 2026); ⁸
- the Australian Institute of Company Directors report: \$160 billion and counting: The cost of Commonwealth regulatory complexity; ⁹
- the Business Council of Australia’s: Better Regulation Report¹⁰

2. Opportunities to gain productivity growth

In line with many of the recommendations made in the aforementioned inquiries and research reports, to address productivity issues in the financial services sector, AFMA makes the following 12 key recommendations.

- i. 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. Assessment of actions taken by these bodies should include performance against these goals.
- ii. Re-consider the Government’s role in funding the Compensation Scheme of Last Resort Levy shortfall and re-assess the application of ‘retail facing’
- iii. Reinstating the Corporations and Markets Advisory Committee (CAMAC)
- iv. Task regulators and government departments with considering the consumer duty and legislate growth and competitiveness targets
- v. Compel all regulators to conduct annual feedback surveys to seek views and concerns from the entities it regulates
- vi. Independent Post Implementation Reviews of new legislation and regulatory initiatives should be carried out more frequently
- vii. Enhance regulatory impact analysis and disclosures
- viii. Adopt an ‘international alignment first’ approach, making this the starting position in policy formation, only diverging from international standards where necessary
- ix. Empower Austrade to champion financial services through a targeted campaign and supporting initiatives
- x. Utilise the taxation system to incentivise mobile financial business to be done from Australia
- xi. Support the recommendations of the Board of Taxation review into red tape
- xii. Reject the Productivity Commission’s proposed cash-flow tax

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 [REDACTED]

⁴ <https://www.pc.gov.au/inquiries-and-research/five-productivity-inquiries/>

⁵ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Financial_Technology_and_Regulatory_Technology/Completed_reports

⁶ <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/transcripts/press-conference-canberra-26>

⁷ <https://www.alrc.gov.au/publication/fsl-report-141/>

⁸ <https://taxboard.gov.au/review/red-tape-reduction>

⁹ <https://www.aicd.com.au/news-media/research-and-reports/economic-cost-of-regulatory-complexity.html>

¹⁰ <https://www.bca.com.au/reports-submissions/reports/better-regulation-report/>

Yours sincerely,



Brett Harper

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