

Initial Estimate for FY2027 (4th Levy Period)

Compensation Scheme of Last Resort Limited

October 2025

21 October 2025

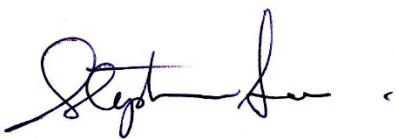
The Directors
Compensation Scheme of Last Resort Limited
GPO Box 556
Melbourne
VIC 3001

Dear Directors

Initial Estimate for FY2027 (4th Levy Period)

We are pleased to enclose our report that outlines the work carried out, our methodology and results of our Initial Estimate of CSLR outgoings for the 2027 financial year Levy Period (i.e. the '4th Levy Period').

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Stephen Lee'.

Stephen Lee
Fellow of the Institute of Actuaries of Australia

A handwritten signature in blue ink, appearing to read 'Jon Tindall'.

Jon Tindall
Fellow of the Institute of Actuaries of Australia

Initial Estimate for FY2027 (4th Levy Period)

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1 Executive summary

1.1 Background and scope to this Report

The Financial Services Compensation Scheme of Last Resort (“the Scheme” or “CSLR”) was enacted in 2023 and commenced operations on 2 April 2024. For claims that are within the scope of the legislation, CSLR is required to pay compensation to a complainant with an unpaid Australian Financial Complaints Authority (AFCA) Determination, along with unpaid AFCA fees and other associated costs.

Compensation Scheme of Last Resort Limited (CSLR Ltd), the Scheme operator, engaged Finity Consulting Pty Limited (Finity) as its actuarial services provider to determine the Initial Estimate for FY2027. Finity has previously provided estimates for all prior CSLR levy estimates. Details of how the levy periods operate and our previous estimates can be found in Section 3.

Under section 17(2)(a) of the *Financial Services Compensation Scheme of Last Resort Levy Act 2023*, ASIC is only able to impose an Annual Levy up to the Initial Estimate, subject to a \$20m cap for the relevant sub-sector. Any amount exceeding this cap may only be imposed by way of a Determination under 1069H of the *Corporations Act 2001* and a Special Levy being imposed. For a Special Levy or Further Levy to be imposed, CSLR is required to determine a Revised Estimate of its claims, fees and costs for the relevant levy period.

1.2 Context for this Report

1.2.1 Treasury review of the Scheme

On 31 January 2025, then Assistant Treasurer, Stephen Jones MP, announced a post-implementation review of the Scheme, which may ultimately lead to changes to the Scheme’s operation. The review is ongoing at the time of preparing this Report. The analysis set out in this Report is based on the legislation and operations of the Scheme as they currently apply. Changes to the Scheme from the review may affect the results shown in this Report.

1.2.2 Allowances for Shield Master Fund and First Guardian Master Fund

The recent failures of Shield Master Fund (Shield) and the First Guardian Master Fund (First Guardian) are expected to lead to significant complaint volumes where clients were advised to invest in these funds. Around 11,800 investors are reportedly affected. AFCA have indicated that they intend to stand-up a new dedicated workforce to address these complaints, which is expected to provide capacity to deliver around 100 extra determinations per month once fully operational.

For a complaint to be eligible for compensation from the CSLR, it needs to be against a financial advice provider and that advice firm needs to not pay the AFCA Determination (typically because it is in liquidation). Some financial advice firms that advised clients to Shield and First Guardian remain solvent, and they would be liable to pay its AFCA fees and any adverse finding by AFCA.

There are many unknowns that could affect AFCA’s ability to make Determinations and/or hold up CSLR’s ability to pay compensation – e.g. numerous lines of inquiry being considered by ASIC, large number of implicated parties, other avenues of compensation available to investors, progress of liquidation proceedings, etc. The Initial Estimate presented in this Report does not include an allowance for CSLR compensation for claims arising from Shield and First Guardian because of the unknowns at this point in time; we will reconsider this with new information at the time of preparing the Revised Estimate. The uncertainty surrounding the impact of ASIC and other remediation activity at this point creates significant uncertainty of its impact on the FY2027 Levy Period.

1.2.3 Reconciliation of pre-CSLR funds

The legislation provides for the ability to incorporate into the Estimate for the FY2027 Levy Period any shortfall or surplus arising from the \$241m of levies collected in respect of pre-CSLR complaints (i.e. complaints made to AFCA prior to 8th September 2022). The reconciliation may be undertaken following the determination of a revised pre-CSLR estimate. At the time of writing this Report, less than a quarter of pre-CSLR complaints had been finalised and therefore a pre-CSLR Revised Estimate has not been undertaken yet as it is unlikely to produce a materially different result to the pre-CSLR Initial Estimate.

1.3 Recommended Initial Estimate for FY2027 Levy Period

The Initial Estimate for the FY2027 Levy Period reflects our assessment of the payments made by CSLR from 1 July 2026 to 30 June 2027. This is shown in Table 1.1.

Table 1.1 – Initial Estimate for the FY2027 Levy Period

FY2027 levy period estimate												
Type	No. AFCA complaints to be finalised	No. claims to be paid	Gross claim Payments (\$000)	AFCA Fees (\$000)	Recoveries (\$000)	Capital Recovery (\$000)	CSLR Operating Costs (\$000)	ASIC Costs (\$000)	Investment income (\$000)	Expected payments by CSLR in FY2027 Levy Period (\$000)	Excess from FY2025 (2nd) Levy Period (\$000)	CSLR Levy Estimate (\$000)
Personal Financial Advice - DASS	474	386	54,760	8,957	-	-	-	-	-	-	-	-
Personal Financial Advice - UGC	148	178	24,665	2,798	(1,239)	-	-	-	-	-	-	-
Personal Financial Advice - Brite	60	62	8,815	1,135	-	-	-	-	-	-	-	-
Personal Financial Advice - Other	321	215	21,714	5,781	-	-	-	-	-	-	-	-
Personal Financial Advice	1,002	841	109,954	18,671	(1,239)	-	2,660	525	(114)	130,457	(3,606)	126,851
Credit Provision	15	10	401	271	-	-	1,313	225	(70)	2,140	(137)	2,003
Credit Intermediation	15	10	1,001	261	-	-	1,320	225	(77)	2,729	(573)	2,156
Securities Dealing - FY2027	37	28	2,273	680	-	-	1,337	225	(99)	4,416	(82)	4,334
Securities Dealing - Revised Estimate shortfall from FY2026	4	23	2,068	122	(4)	-	(20)	-	(16)	2,150	-	2,150
Securities Dealing	41	51	4,341	802	(4)	-	1,317	225	(115)	6,566	(82)	6,484
Total	1,073	912	115,698	20,004	(1,243)	-	6,610	1,200	(376)	141,893	(4,399)	137,494

Our Initial Estimate is \$137.5m. The Initial Estimate for the Personal Financial Advice sub-sector is \$126.9m, which is well in excess the sub-sector cap of \$20m. CSLR would need to seek a Special Levy to address the estimated shortfall.

The number of complaints that will be eligible for CSLR compensation and how much of the invested funds will be recovered from sources other than CSLR cannot be reliably estimated at this stage, and therefore, Shield and First Guardian related complaints have not been included in this Initial Estimate.

1.4 Scenario for Shield and First Guardian payments made in FY2027

As indicated above, there are numerous external factors that will affect AFCA's ability to make Determinations, and consequently CSLR's ability to pay claims, on matters related to Shield and First Guardian. Simplifying to the ultimate outcomes, the following will affect the cost to CSLR:

- The number of compensation claims that are eligible for CSLR, which will depend on:
 - > How many affected investors lodge an AFCA complaint.
 - > An adverse AFCA Determination that the financial advice provided was inappropriate.
 - > Whether the financial advice firm is insolvent or does not pay for other reasons. Some financial advice firms that advised clients into Shield and Financial Guardian are going concerns.
- The quantum of loss for each claimant that AFCA determines, which will depend on:
 - > The amount returned through liquidation proceedings currently underway.
 - > Other compensation avenues.
 - > AFCA's consideration of Counterfactual Investment earnings.

- > The timing of any non-CSLR compensation or recovery will affect the payments by CSLR within a Levy Period.

We do not speculate on what other future avenues might be and the potential for these to reduce losses to clients, and consequently the loss ultimately paid by CSLR. The number of complaints that will be eligible for CSLR compensation and how much of the invested funds will be recovered from sources other than CSLR cannot be reliably estimated at this stage, and therefore, Shield and First Guardian related complaints have not been included in this Initial Estimate.

One recent development is the commitment by Macquarie to repay \$321m invested through its platform into Shield to around 3,000 members. This reduces the range of CSLR loss outcomes arising from this cohort of investors. For the remaining 8,800-odd investors, the range of possible outcomes to CSLR is broad depending on the proportion of investors that are eligible for CSLR compensation and how much is recovered from non-CSLR sources. To give an indication of the range of potential cost outcomes to CSLR (excluding unpaid AFCA fees), Table 1.2 shows the ultimate Shield and First Guardian compensation claims cost depending on the proportion of affected investors that will be eligible for CSLR compensation and how much is recovered from non-CSLR sources. This table considers the outcomes for the investors not being repaid by Macquarie.

Table 1.2 – Estimate of ultimate CSLR compensation based on number of eligible claims and non-CSLR recoveries (\$m)

Number of inscope claims	% of initial investment recovered			
	0%	30%	60%	100%
880 (10% of investors)	90	70	60	30
2,200 (25% of investors)	220	190	140	70
4,400 (50% of investors)	440	370	290	150
8,800 (100% of investors)	880	750	570	290

Hypothetically, the ultimate CSLR compensation is estimated to be in the order of \$370m if 50% of investors are eligible for CSLR and liquidation and other recovery actions return 30% of the initial investment to investors. However, if 100% of the initial investment was recovered, then the CSLR compensation would be \$150m (assuming the AFCA Determination allows for a 'counterfactual' investment return to be compensated).

Investors who will have their principal repaid by Macquarie may also be eligible for further compensation against their financial planners for Counterfactual Investment losses. If all 3,000 members lodge and are eligible to be compensated by CSLR for a Counterfactual Investment loss, CSLR compensation for Macquarie members may be in the order of an additional \$100m (excluding unpaid AFCA fees).

Under a scenario where AFCA's dedicated workforce delivers on the planned volume of Determinations and where there are no other factors holding up Determinations or CSLR claim payments related to Shield and First Guardian during the FY2027 Levy Period, the levy estimate may be \$125m higher than the Initial Estimate shown in this Report (made up of gross compensation payments in the order of \$110m and AFCA fees of \$15m). The assumes the following:

- CSLR will pay \$95,000 for each claim.
- There are no recoveries available during this Levy Period.

These assumptions and the uncertainties are discussed later in this Report.

As outlined above, there are many unknowns that will affect the ultimate cost to CSLR of Shield and First Guardian. Information that becomes known in the coming months may provide better indication on how much CSLR can expect to pay during the FY2027 Levy Period and this will be considered in preparing a Revised Estimate for the FY2027 Levy Period.

1.5 Main drivers of the Initial Estimate

The two main drivers of the Initial Estimate amount are:

- The complaints volumes from large financial failures.
- The number of Determinations that AFCA finalises to enable claim lodgement by victims and payment by the CSLR within the FY2027 Levy Period.

The large financial firm failures generate most of the Determination and CSLR claim payment activity in respect of the FY2027 Levy Period. AFCA will progress Determinations in respect of DASS in FY2027. All pre-CSLR DASS complaints are expected to be completed during FY2027, after which it is expected that AFCA will increase its Determination volumes for post-CSLR DASS complaints.

Based on our assumed ultimate level of claims (including complaints to be reported in future), we expect that the large financial failures in aggregate generate more complaints than AFCA can process within the FY2026 and FY2027 Levy Periods. Our Initial Estimate assumes that AFCA's workforce that makes CSLR-relevant Determinations is 'at-capacity' up to and throughout FY2027. AFCA's workforce will continue to work through CSLR-eligible complaints, notwithstanding that the specific number Determinations for each large financial failure may differ from our assumptions.

Shield and First Guardian are expected to lead to significant levels of AFCA complaints, but associated AFCA fees and CSLR compensation are not included in this Initial Estimate as this stage because we are unable to reliably estimate the total number of CSLR claims paid in FY2027. This is a significant area of uncertainty of our Initial Estimate, and it is possible that a Revised Estimate for the FY2027 Levy Period to be materially higher than this Initial Estimate if it becomes clearer that Shield and First Guardian claims are likely to be paid by CSLR during the FY2027 Levy Period.

Other uncertainties are discussed in Section 11.2.

Complaint volumes from large firm failures are discussed in more detail in Section 5 and AFCA processing volumes are discussed further in Section 7.2.

1.6 Relationship between this Initial Estimate and levies on industry

The CSLR operator will, on considering the advice contained in this Report, determine an Initial Estimate of its compensation payments, fees and costs for a levy period for each sub-sector. ASIC imposes the Annual Levy on the industry following a legislative process that commences within the 12 months before the start of the levy period. The Annual Levy per sub-sector cannot exceed \$20m per sub-sector in accordance with the sub-sector cap. The Annual Levy for Personal Financial Advice will be \$20m based on our Initial Estimate.

After completion of the parliamentary disallowance process for the FY2027 Annual Levy, ASIC will levy the Annual Levy for the Personal Financial Advice sector of \$20m¹. These funds are expected to be received by CSLR around the commencement of the FY2027 Levy Period.

Based on the Initial Estimate for the Personal Financial Advice sub-sector, a material expected funding shortfall for that sub-sector is expected. A Revised Estimate will be produced towards the end of FY2026. The FY2027 Levy Period estimate can be materially higher than this Initial Estimate if it becomes clearer that Shield and First Guardian claims are likely to be paid by CSLR during the Levy Period.

¹ The actual amount collected by ASIC is likely to be even less than \$20m based on previous levy period collection rates.

The Revised Estimate will inform CSLR's request for a Special Levy. Assuming the Minister imposes a Special Levy in respect to the Personal Financial Advice sub-sector, the legislative and administrative processes involved in collecting levies mean that funds will likely not be available to the Scheme until toward the end of the FY2027 year. The total levied amount cannot exceed \$250m in aggregate across all-subsectors for a Levy Period, consistent with section 17(1) of the Levy Act.

CSLR is only able to make compensation payments if the levies collected for the sub-sector are sufficient to do so. Delays in payment of compensation and AFCA fees are expected in FY2027 until the Special Levy is received, or if the total payments exceed the \$250m cap and any previously unused funds. Our Initial Estimate allows for compensation that CSLR *could* pay on the assumption that funds are available to do so when compensation and other expenses become payable.

1.7 Implications of uncertainty

Table 1.3 summarises the key components of uncertainty for the FY2027 Levy Period.

Table 1.3 – Materiality of components of uncertainty

Element of Uncertainty	Level of Uncertainty	Commentary
Complaints relating to Shield and First Guardian	Very High	We know Shield and First Guardian to be very substantial failures affecting 11,800 investors. Much is not yet known including the nature of financial advice provided, how many people make a claim against their financial advisor, the level of loss suffered, how many complaints become eligible for CSLR, whether the financial advisor pays the AFCA Determination (for firms that remain solvent), prospects of return from liquidation activities, ASIC and other actions against various stakeholders involved in directing client funds to Shield and First Guardian, AFCA processing of Determinations, etc. The FY2027 Levy Period estimate can be materially higher than this Initial Estimate if it becomes clearer that Shield and First Guardian claims are likely to be paid by CSLR during the Levy Period.
Ultimate number of Brite complaints	High	Brite's AFS licence was automatically cancelled in April 2025 because of CSLR making a payment in relation to a relevant AFCA Determination. There remains a high degree of uncertainty about the number of complaints that will be lodged, the financial loss of the customers, returns from the liquidation process, and whether these complaints will meet the eligibility requirements for CSLR. Complaints will be eligible for AFCA lodgement until Brite's AFCA membership is cancelled (not earlier than 29 April 2026).
AFCA complaint processing volumes	High	CSLR claim payments are highly dependent on the processing of complaints by AFCA. AFCA has provided its updated processing estimates, which we understand to better reflect its expected operating capacities during FY2027 (although this is prior to AFCA undertaking its FY2027 workforce planning and budgeting).
Average claim sizes for Brite, Shield, and First Guardian	High	There is limited information available to inform estimates of average claim sizes for these recent failures.
Ultimate number of UGC claims	Moderate	UGC's AFCA membership will cease on 31 March 2026 (following AFCA's temporary reinstatement of membership). We expect that new UGC complaints will relate to First Guardian. There remains uncertainty around how many of these complaints will result in an adverse Determination and consequently the number of claims that will be lodged with CSLR.

Element of Uncertainty	Level of Uncertainty	Commentary
New Financial Firm failures	Moderate	It is generally highly uncertain whether a new Financial Firm failure will occur in the short-term. Major failures that occur after the date of this Initial Estimate report are unlikely to result in payments for the FY2027 levy period because it will be limited by AFCA's capacity given the current workloads already being forecast.
Discontinuance Rate	Moderate	The Discontinuance Rate is uncertain. There is emerging Discontinued Complaint experience, though this is limited and it is unclear if it is representative of all complaints.
Timing of recoveries	Moderate	Liquidation activity is anticipated to return funds to UGC, Brite, Shield and First Guardian related complainants. The liquidators may make interim payments in advance of a final payment. Subject to appropriate arrangements being in place, liquidation proceeds may be retained by CSLR to offset claim payments it has previously made ² . The Levy Period estimate includes an allowance for recoveries expected to be received within the FY2027 period. The quantum and timing of these recoveries is uncertain, and it may take some years to fully resolve.
Average UGC claim size	Moderate	There is limited CSLR claim experience relating to UGC, so uncertainty remains moderate in the context of the Initial Estimate amount.
Average post-CSLR DASS claim size	Lower	We have observed the emerging CSLR claim experience relating to DASS. Whilst the experience remains immature, it suggests that the assumed DASS average claim size is generally in line with actual claim outcomes.

The CSLR remains a relatively new arrangement, with around 18 months of operational experience. The actuarial assumptions continue to be significantly weighted toward reasoned judgement than to analysis of relevant data. Even as CSLR matures, its funding requirements will always have a high degree of uncertainty as it will depend on future events such as financial firm failures which do not occur in any reliably predictable fashion.

Section 11 of the report describes the uncertainty in the levy estimates and provides several scenarios to assist readers in understanding these issues.

The legislation governing the CSLR sets out a series of reconciliation mechanisms to address any shortfalls or excesses. Considering the legislation and general principles, our approach where there is uncertainty is to make justifiable estimates of outcomes in a reasonably favourable future environment. No allowance is included for the possibility of higher-than-expected failure rates or claim costs (other than the failures we already know about), even on an average basis.

Please note the reliance and limitations set out in Section 12 of this report.

² CSLR's preferred approach is to make payments to claimants prior to liquidation payments being finalised to minimise delays to claimants getting their compensation. Any subsequent liquidation recovery will be received by CSLR to offset the claim paid. CSLR will determine the amount of the liquidation recovery that it retains so that the claimant is in an equivalent position to waiting for the liquidation payments to be received before claiming compensation. That is, the maximum loss that CSLR will compensate to is \$150,000. Where a claimant has lost less than \$150,000, then CSLR will pay the CSLR determination up to \$150,000 and then any subsequent liquidation recoveries will be retained by CSLR.

2 Scope and approach

2.1 Background

The CSLR was launched in 2023 to compensate complainants who have received a determination in their favour from AFCA and the determination amount has not been fully paid by the relevant Financial Firm. This typically occurs because the relevant Financial Firm is insolvent or is likely to become insolvent.

The Scheme arose from recommendations of the Ramsay Review and the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Hayne Royal Commission).

CSLR Ltd is authorised as the operator of the Scheme (i.e. the “CSLR operator”). CSLR Ltd is an independent not-for-profit company limited by guarantee.

The Scheme provides compensation payments to people (including small businesses and self-managed superannuation funds) that have AFCA determinations that are unpaid by the Financial Firm against which the complaint was made (and where the financial service is within the scope of the Scheme). The Scheme commenced operations on 2 April 2024.

The Scheme is funded through levies, as outlined in the legislation listed in Section 3.1.

Additional details of the Scheme can be found in Section 3.

2.2 Scope of this Report

CSLR Ltd has engaged Finity as its principal actuarial service provider. This Report considers the Initial Estimate of CSLR outgoings for the FY2027 Levy Period, being 1 July 2026 to 30 June 2027, which is used for the Board’s consideration in determining a levy estimate for the period. Our recommended Initial Estimate provides for funding of claim payments to be made, unpaid AFCA fees, ASIC costs, CSLR’s operating costs in the period, capital recoveries, and shortfall or excess from the FY2025 levy period.

2.3 Structure of this Report

The remainder of this report is structured as follows:

Section 3 presents a summary of our understanding of the development and intended operation of the CSLR, including the legislative requirements, coverage, claim payments and funding of the Scheme.

Section 4 considers the AFCA and CSLR experience to date.

Section 5 considers complaints against large financial failures in the Personal Financial Advice sub-sector that are relevant for the Initial Estimate for the FY2027 Levy Period.

Section 6 provides an overview of the methodology we have adopted to determine the Initial Estimate.

Section 7 reviews the AFCA complaint and determination experience, as well as the CSLR claims experience to date for consideration in the calculation of the Initial Estimate for the FY2027 Levy Period.

Section 8 outlines our updated expectations of unpaid AFCA fees to be paid by CSLR in the FY2027 Levy Period.

Section 9 deals with the other components of the estimates for the FY2027 Levy Period amounts.

Section 10 sets out our recommendations for the Initial Estimate for the FY2027 Levy Period, followed by Section 11 that explores the uncertainty in the estimate and provides alternate scenarios.

Our report concludes in Section 12 with a summary of the reliance and limitations of the advice provided in this report.

Appendix A documents the key assumptions we have made for the Initial Estimate for the FY2027 Levy Period. Other Appendices contain further details that support the analysis set out in this Report.

2.4 Board Policy

CSLR's Board Policy sets out the principles and procedures to be followed in determining the FY2027 Levy Period Initial Estimate. The Board Policy is discussed in Section 6.11.

2.5 Glossary

Table 2.1 outlines the definition of some of the commonly used terms in this report.

Table 2.1 – Glossary

Term	Definition
'Active' Financial Firms	Financial Firms that are not currently insolvent, in administration or otherwise not trading.
AFCA	Australian Financial Complaints Authority
AFCA Complaint Amount	The amount of loss estimated by the claimant at time of complaint. This amount is not verified or adjusted by AFCA.
AFCA fees	The fees that AFCA charges to Financial Firms, including complaint fees, annual User Charge, and annual registration fees.
AFCA extract date	The date of extract of AFCA complaint information used in this report (31 July 2025, unless otherwise stated).
Annual Levy	The levy determined based on the Initial Estimate for a levy period.
Appropriate Steps Notice (ASN)	Written notice provided by AFCA to the complainant that AFCA has finished taking reasonable steps to require a Determination to be paid. It is a precursor to a claim being lodged with CSLR, as detailed in Section 1064(c) and 1064(2) of the Corporations Act 2001.
ASIC	Australian Securities and Investments Commission
Australian Fiduciaries	Australian Fiduciaries Limited
Brite	Brite Advisory Pty Ltd
Claim	A claim lodged with the CSLR.
Claimant	A person who has lodged a claim with CSLR.
Complaint	A complaint made to AFCA by a Complainant (who must be an Eligible Person in accordance with AFCA's Rules) about a Financial Firm that is an AFCA Member at the time that the complaint is submitted to AFCA.
Complainant	A person who has submitted a complaint to AFCA.

Counterfactual Investment	The estimated value of an investment had the client received appropriate advice. This follows the approach adopted by AFCA to determine the financial loss arising from a breach ³ .
CSLR Ltd	Compensation Scheme of Last Resort Limited, the operator of the Scheme
DASS	Dixon Advisory and Superannuation Services Limited
DASS Deed of Company Arrangement (DOCA)	The Deed of Company Arrangement (DOCA) was passed by Dixon Advisory's creditors on 16 December 2022, which details the settlement that creditors will be able to receive as part of the insolvency proceedings.
Determination	A decision made by an AFCA Decision Maker about a complaint in accordance with rule A.14 of the AFCA Rules.
Discontinued Complaint	An AFCA discontinued complaint is one that has been closed by AFCA without a resolution being reached, often because the complainant withdrew the complaint or failed to respond to AFCA's requests for information
Discontinuance Rate	The rate at which Complaints become Discontinued Complaints
'Failed' Financial Firm	A Financial Firm that is currently insolvent, in administration or otherwise not trading.
Finalised complaint	A complaint that AFCA has finished dealing with, whether by making a Determination (which in turn could be in favour of the Complainant or the Financial Firm) or in some earlier part of AFCA's processes. Finalisation triggers AFCA's right to invoice for its fees and hence CSLR's obligation to pay.
Financial Firm	An AFCA Member, being a person who is a Member of AFCA as defined in AFCA's Constitution.
First Guardian	First Guardian Master Fund
Further Levy	An additional levy where the total amount levied in respect of the relevant sub-sector and the levy period is within the sub-sector cap of \$20m.
FY2024 Levy Period	Levy period from 2 April 2024 to 30 June 2024 (1 st Levy Period)
FY2025 Levy Period	Levy period from 1 July 2024 to 30 June 2025 (2 nd Levy Period)
FY2026 Levy Period	Levy period from 1 July 2025 to 30 June 2026 (3 rd Levy Period)
FY2027 Levy Period	Levy period from 1 July 2026 to 30 June 2027 (4 th Levy Period)
GCPF	Global Capital Property Fund Limited
'In-scope' complaints	Complaints that fit the definition in the legislation as being in-scope for the CSLR. This status may change over time as additional information about a complaint emerges.
Initial Estimate	An estimate of the claims, fees and costs for a levy period in accordance with section 9 of the Levy Collection Act.
Large financial firm failure	A large financial firm failure is one that has, or can be reasonably expected to, generate many AFCA complaints that would be in-scope for CSLR compensation. It is a failure that has the potential to lead to additional CSLR claims and other costs that cannot be reasonably met by the levy collected for the cost of new financial firm failures for that sub-sector and the accumulated capital reserves available to CSLR. CSLR's capital reserve is targeted at \$5m in normal operating conditions.
Levy Period	A 12 month period commencing from 1 July for which Initial Estimates, Revised Estimates, levies and levy caps are considered.

³ <https://www.afca.org.au/news/latest-news/article-how-does-afca-calculate-loss-what-financial-advisers-need-to-know>

Other Financial Firms	Financial Firms apart from DASS, UGC and Brite, Australian Fiduciaries, First Guardian and Shield.
Post-CSLR	Complaints lodged with AFCA on or after 8 September 2022.
Post-CSLR Levy	Refers to the levies related to the post-CSLR complaints, being the FY2024, FY2025 and all subsequent Levy Period amounts. The FY2024 (previously referred to as the 1 st Levy Period) amount was governed under Section 1069M and 1069N of the Corporations Act 2001. The amounts for FY2025 (previously referred to as the 2 nd Levy Period) and subsequent Levy Periods are determined under Section 8 of the Levy Act and calculated in accordance with Section 9 of the Levy Collection Act.
Pre-CSLR	Refers to complaints lodged with AFCA between 1 November 2018 and 7 September 2022.
Pre-CSLR Levy	The Levy determined under Section 10 of the Levy Act and calculated in accordance with Section 11 of the Levy Collection Act.
Relevant Entity	A Relevant Entity provides financial products or services in the following 4 sub-sectors as defined in the Corporations Act – personal financial advice, credit intermediation, securities dealing, and credit provision.
Relevant Service	A financial product or service in one of the four relevant sub-sectors, specifically personal financial advice, credit intermediation, securities dealing or credit provision.
Revised Estimate	An estimate of the CSLR outgoings made within the levy period that is required to be lodged by the Scheme as a precursor to a Further Levy or Special Levy.
Shield	Shield Master Fund
Special Levy	An additional levy where the total levied for a sub-sector exceeds the sub-sector cap of \$20m for the levy period.
Sub-sector	The sub-sector to which a complaint relates. The CSLR covers complaints in the following sub-sectors: personal financial advice, credit intermediation, securities dealing and credit provision.
The Scheme	The Financial Services Compensation Scheme of Last Resort
UGC	United Global Capital Pty Ltd
User Charge	AFCA's User Charge is separate from complaint-related fees and is designed to reflect each member's share of the overall cost of maintaining the AFCA scheme. The user charge is proportionately allocated based on the number, closure point, and complexity of complaints each AFCA member closed during the financial year, compared with the same data across all AFCA members. The user charge facilitates a 'user-pays' model, where AFCA members contribute to funding in proportion to their use of AFCA's services.

3 About the Financial Services Compensation Scheme of Last Resort

3.1 Establishment of the Scheme

The Scheme was established by the Treasury Laws Amendment (Financial Services Compensation Scheme of Last Resort) Act 2023, assented to 3 July 2023, which amends the Corporations Act 2001, Australian Securities and Investments Commission Act 2001, and the National Consumer Credit Protection Act 2009.

The following legislation and regulations are specific to the operation of the Scheme and the CSLR operator:

- Financial Services Compensation Scheme of Last Resort Levy Act 2023 (“Levy Act”), and corresponding Financial Services Compensation Scheme of Last Resort Levy Regulations 2023 (“Levy Regulations”)
- Financial Services Compensation Scheme of Last Resort Levy (Collection) Act 2023 (“Levy Collection Act”)
- Corporations Amendment (Financial Services Compensation Scheme of Last Resort) Regulations 2023, which amends the Corporations Regulations 2001 (“Corporations Regulations”).

This body of legislation and regulations will be referred to as “the legislation” in this report, unless otherwise specified.

3.2 Payments by the Scheme

The Scheme pays compensation in the following circumstances:

- Where an in-scope AFCA Determination requires an amount to be paid by a Relevant Entity to a complainant, and
- The Relevant Entity has not paid the amount to the complainant, and the complainant has notified AFCA that the Determination is unpaid, and
- The complainant will not be fully compensated for the Determination by any other statutory compensation scheme or other source, and
- The complainant applies to the Scheme for compensation for the unpaid Determination amount.

The complaint against the Relevant Entity must relate to a financial product or service (“Relevant Service”) in one of the following 4 sub-sectors: personal financial advice, credit intermediation, credit provision or securities dealing.

The Scheme provides for the following payments:

- Compensation payments for claims lodged for unpaid AFCA Determinations against a Relevant Entity. CSLR claim payments are limited to \$150,000 per claimant. A single AFCA Determination can result in multiple eligible CSLR claims.⁴
- Unpaid AFCA fees, where AFCA has charged the AFCA Member that is a Relevant Entity (or was an AFCA Member at the time the complaint was lodged) and this amount is unpaid after taking steps to recover the fees (or AFCA is entitled to charge the AFCA Member but decides to not pursue the entity having considered the prospects of payment).
- CSLR operating costs.
- ASIC costs for administering the Scheme Levies.

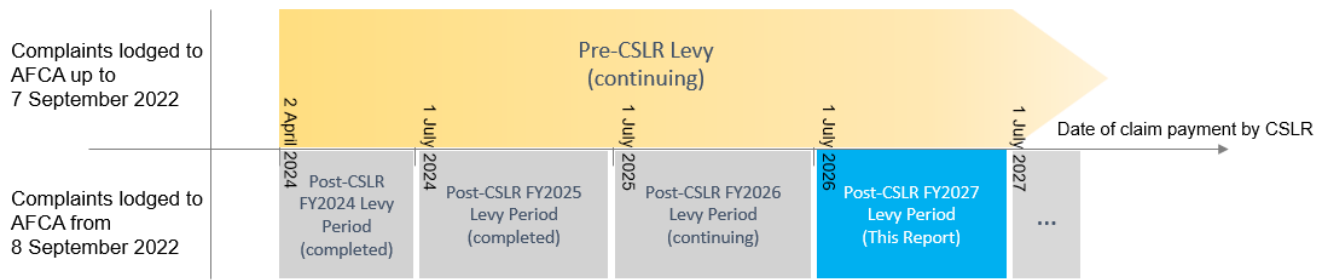
⁴ The CSLR compensation amount associated with a single AFCA complaint can exceed \$150,000 if AFCA awards separate amounts to individual claimants within its final determination.

The Scheme will only make compensation payments if the CSLR operator reasonably believes that the person is unlikely to be paid by the Relevant Entity the full amount of the AFCA Determination.

3.3 How levies are determined

The Scheme is funded by levies. Figure 3.1 outlines the key dates that relate to the various levy periods.

Figure 3.1 – Levy periods



The legislation differentiates between a levy to fund compensation claims arising from AFCA complaints lodged up to and including 7 September 2022 (referred to as “pre-CSLR”) and compensation claims arising from complaints lodged from 8 September 2022 onwards (referred to as “post-CSLR”).

CSLR’s Initial Estimate is an input to the Annual Levy paid by industry. The process for setting the *Annual Levy* is as follows:

- 1 The CSLR operator determines an *Initial Estimate* of its claims, fees and costs for a levy period (Section 9 of the Levy Collection Act).
- 2 The CSLR operator’s Initial Estimate is submitted by legislative instrument within 12 months of the start of the levy period. The legislative instrument is subject to a disallowance period in both Houses of Parliament.
- 3 ASIC is responsible for imposing the Annual Levy and allocation of the Levy to each entity in accordance with the ASIC Supervisory Cost Recovery Levy Regulations 2017. The amounts of the Annual Levy cannot exceed the Initial Estimate (Section 12 of the Levy Act) or the sub-sector levy cap of \$20m for an eligible sub-sector.

If the Initial Estimate exceeds \$20m for any sub-sector, only \$20m can be levied in the Annual Levy in respect of that sub-sector. The legislation has provisions for *Further Levies* or *Special Levies*, which are determined as follows:

- 4 The CSLR operator may determine a *Revised Estimate* of its claims, fees and costs for a levy period (Section 10 of the Levy Collection Act).
- 5 A *Further Levy* can be applied in respect of a sub-sector if the Revised Estimate does not lead to that sub-sector’s \$20m levy cap being exceeded in the relevant levy period. In this instance, the CSLR operator’s Revised Estimate would be submitted by legislative instrument after the start of the levy period, with ASIC responsible for allocating the additional levy amounts to each entity according to the ASIC Supervisory Cost Recovery Levy Regulations 2017.
- 6 If a Revised Estimate, as submitted by a notifiable instrument, exceeds the sub-sector levy cap in respect of one or more relevant sub-sectors, the Minister may, by legislative instrument make a Determination regarding the following matters:

- a That the CSLR operator make compensation payments in specified instalments for a specified period of time.
- b Apply a *Special Levy* to the sub-sector(s) where the sub-sector cap is exceeded.
- c Apply a *Special Levy* to several sub-sectors, not just the sub-sector(s) where the cap is exceeded.

In all cases, the \$250m Scheme cap for the levy period will apply.

Due to the combination of the legislative instrument process, invoicing of levies to financial firms by ASIC, and delay in payments of levies, it may be impractical for Further Levies and Special Levies to be applied, as such levies may not be received within the relevant levy period. Revised Estimates generally would need to occur at the beginning of the levy period for funds to be available within that levy period. As a result, depending on the quantum of the shortfall, it may be more practical for shortfalls to be included in the levy for subsequent levy period(s).

3.4 Components of the Estimate

The Levy Collection Act requires the CSLR operator to estimate its claims, fees and costs for a levy period. The following components of the calculation are required for the levy estimate, as set out in Section 9 of the Levy Collection Act:

	(1)		(2)		(3)		(4)		(5)		(6)
Levy Estimate =	Compensation payments to consumers	+	Unpaid AFCA fees	+	ASIC levy administration	+	CSLR operating costs	+	Capital reserve recovery	+	Adjustment for prior year shortfall or excess

Deductions are applied in respect of investment income and recoveries received within the levy period.

There are differences in the levy components that are included in prior Levy Periods to the FY2027 Levy Period, which are documented in Appendix D. The FY2027 Levy Period may also incorporate adjustments for any shortfall or excess from the pre-CSLR Levy.

3.5 Previous Levy Period Reports

Finity has provided the reports in respect of estimates for previous Levy Periods:

- “Pre-CSLR Complaints Initial Estimate”, dated 7 December 2023
- “1st & 2nd Levy Period Initial Estimate”, dated 8 March 2024
- “Initial Estimate for 2025/26 (3rd Levy Period)”, dated 9 December 2024
- “Revised Estimate for FY2026 (3rd Levy Period)”, dated 25 June 2025, which updates the 3rd Levy Period Initial Estimate Report

4 Levy experience to date

There are four levies that pre-date the FY2027 Levy Period, being:

- Pre-CSLR levy
- FY2024 Levy Period (1st Levy Period)
- FY2025 Levy Period (2nd Levy Period)
- FY2026 Levy Period (3rd Levy Period)

Figure 4.1 summarises the experience to 31 July 2025 of each Levy Period that pre-dates the FY2027 Levy Period. Note only 1 month has elapsed in respect of the FY2026 Levy Period.

Figure 4.1 – Summary of levy experience to 31 July 2025

Collection					Use of levy funds								
	Levy estimate	Levy collected ¹	Prior period reconciliation allowance	Total Funds available to meet CSLR costs	Number of claims paid	Amount of claims paid, net of recoveries	AFCA Fees ²	Capital contribution/ recovery	CSLR operating costs	ASIC costs	Investment income ³	Total expenditure to date	Reconciled excess/ (shortfall) ⁴
Levy	(\$000)	(\$000)	(\$000)	(\$000)		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Pre-CSLR	240,858	241,135	n/a	241,135	358	41,151	5,419	-	-	-	(12,175)	34,395	n/a
FY2024	4,846	4,846	-	4,846	0	-	169	1,667	1,062	-	(47)	2,850	1,996
FY2025	24,148	23,860	-	23,860	108	11,014	2,144	1,667	4,324	1,286	(974)	19,460	4,400
FY2026	75,154	-	1,996	1,996	0	-	-	1,667	318	108	(37)	2,056	n/a
Total	345,006	269,841	1,996	271,838	466	52,165	7,732	5,000	5,704	1,394	(13,233)	58,761	6,396

¹ Pre-CSLR and FY2025 levies collected include levy penalties received, and in FY2025 the uncollected levy.

² The first AFCA invoices for complaints and user charges in FY2026 were received in August 2025

³ Investment income accrued to date

⁴ Reconciliation has been conducted on the FY2024 and FY2025 levy periods as of 31 July 2025.

For the pre-CSLR period, \$240.9m was levied and \$241.1m collected (including levy penalties). \$41.2m of compensation has been paid in respect of 358 claims, \$5.4m of AFCA complaint fees and user charge fees received for unpaid fees, and \$12.2m of interest income earned from the invested cash. The pre-CSLR levy is intended to meet the ultimate cost of all pre-CSLR complaints, the bulk of which have not yet been determined by AFCA. Noting the limited claims experience to date, and the significant number of outstanding DASS complaints, it is too early to opine on the adequacy of the levy collected for the pre-CSLR to meet its ultimate costs.

The FY2024 and FY2025 Levy Periods have been finalised.

The \$4.9m levy for the FY2024 Levy Period was collected in full from the Commonwealth Government. The \$2.0m of excess funds collected in respect of FY2024 reduced the FY2026 Levy Period estimate as set out in the s9(2)(b) of the Levy Collection Act.

\$23.9m was collected as at 31 July 2025 in respect of the FY2025 Levy Period, compared with the levy estimate of \$24.1m. The shortfall in collection occurred because some Financial Firms have not yet paid levies. Overall, excess funds of \$4.4m were collected in respect of FY2025, predominantly due to fewer claims being paid than estimated because a lower volume of AFCA Determinations was processed during the Levy Period. The FY2025 excess funds amount is incorporated into this Initial Estimate for the FY2027 Levy Period.

As at 31 July 2025, levies had not yet been paid to CSLR in respect of the FY2026 Levy Period, with payment of the Annual Levy (up to sub-sector caps of \$20m) expected to commence from late October 2025. No compensation payments had been made in respect of the FY2026 Levy Period.

5 Large financial failures

In this section we consider several large failures that are expected to be relevant for the payments to be made by CSLR during the FY2027 Levy Period. These failures include:

- Dixon Advisory and Superannuation Services Limited (DASS)
- United Global Capital Proprietary Limited (UGC)
- Brite Advisors Pty Ltd (Brite)
- Shield Master Fund (Shield)
- First Guardian Master Fund (First Guardian)
- Australian Fiduciaries Limited (Australian Fiduciaries)

5.1 Dixon Advisory and Superannuation Services Limited

5.1.1 Background of DASS

DASS is a major Financial Firm failure that has been a prominent feature for the CSLR since its inception. At the time DASS's AFCA membership was cancelled there were a total of 2,798 complaints. The count of total complaints has subsequently reduced to reflect removal of duplicate complaints and other data refinements made by AFCA.

The background information surrounding DASS has been included in each Levy Estimate report. For brevity of this section and completeness, background information on DASS has been retained in Appendix E.

5.1.2 DASS experience to date

Between its establishment and 31 July 2025, CSLR has paid 259 claims related to DASS. To date, 2,728 unique complaints have been lodged with AFCA relating to DASS (split between pre- and post-CSLR periods).

Table 5.1 details the AFCA and CSLR experience in relation to DASS complaints to 31 July 2025 compared with the experience as at 31 May 2025 (i.e. the experience to date when undertaking our Revised Estimate for the FY2026 Levy Period).

Table 5.1 – DASS complaint and claim counts

Levy Period	Total AFCA Complaints		AFCA Open Complaints		AFCA Determined Complaints		AFCA Discontinued Complaints		CSLR Open Claims		CSLR Paid Claims	
	As at 31 May-25	As at 31 Jul-25	As at 31 May-25	As at 31 Jul-25	As at 31 May-25	As at 31 Jul-25	As at 31 May-25	As at 31 Jul-25	As at 31 May-25	As at 31 Jul-25	As at 31 May-25	As at 31 Jul-25
	May-25	Jul-25	May-25	Jul-25	May-25	Jul-25	May-25	Jul-25	May-25	Jul-25	May-25	Jul-25
Pre-CSLR	1,646	1,646	1,321	1,211	228	327	97	108	143	38	65	215
Post-CSLR	1,083	1,082	1,017	1,002	51	62	15	18	25	6	23	44
Total	2,729	2,728	2,338	2,213	279	389	112	126	168	44	88	259

5.1.3 Implications for the FY2027 Levy Period Initial Estimate

Based on the latest expectations from AFCA of its activity for DASS complaints, as outlined in Section 7.2, 898 Determinations are expected over FY2027 (including pre-CSLR complaints). We estimate that there will be 356 DASS Determinations remaining to be made after FY2027 (all related to post-CSLR complaints). The speed at which AFCA processes pre- and post-CSLR DASS complaints during FY2026 remains an area of uncertainty, which impacts the number of remaining DASS complaints to be determined during FY2027.

CSLR is ineligible to receive a DASS recovery due to the construct of the DOCA and therefore recoveries will be nil. However, in most cases, AFCA determinations award compensation net of any amounts received from the

Deed Administrator under the DOCA. These deductions are applied to the award value itself and are only relevant to CSLR where they intersect with the compensation cap.

Table 5.2 shows the assumed DASS average claim size in comparison to the average determination and claim payment amount to date.

Table 5.2 – Assumed DASS average claim size

	DASS	Number	Average size (\$000)
Non-nil determinations		366	134
Claim payments		259	135
Selected per Claim			135
Selected per Determination			142

We have revised our assumed average claim size to \$135,000 for DASS complaints based on AFCA determination and CSLR payment experience to date (which is now sufficiently reliable). We also observe that around 5% of DASS Determinations have resulted in more than one CSLR claim (because multiple people or entities were covered by the Determination). We have increased our average claim size assumption per Determination by 5% to \$142,000 to reflect this. These assumptions are applied to the remaining 1,002 open claims. This is an increase from the FY2026 Revised Estimate assumption of \$123,000.

5.2 United Global Capital Proprietary Limited (UGC)

5.2.1 Brief UGC background

UGC operated with an AFSL from August 2017, providing financial services (including financial advice) to clients in Australia. UGC's activities included financial advice in establishing self-managed superannuation funds (SMSFs) and investments within the SMSFs. UGC's authorised representatives contacted prospective clients and recommended they establish a SMSF, rollover their existing superannuation into the SMSF and invest in related-party companies and funds.

A timeline of significant events for UGC includes:

- **November 2011:** Company registered.
- **August 2017:** UGC obtains Australian Financial Services Licence (496179). It provided financial services including financial advice to clients across Australia. The sole director of UGC is Joel James Hewish. Mr Hewish was also UGC's responsible manager and key person on the licence.
- **August 2019:** The Global Capital Property Fund Limited (GCPF) is established and UGC advises its clients to invest in GCPF through the purchase of its shares. Joel Hewish is a director of GCPF, along with Brett Aaron Dickinson and Chris Pappas. GCPF is discussed in more detail below.
- **July 2022:** ASIC made interim stop orders on 5 and 21 July 2022 preventing the offer of shares to retail investors under GCPF's prospectus as well as further interim stop orders on 29 August and 13 September 2022 preventing the issue of shares due to a deficient target market determination.
- **3 June 2024:** ASIC cancelled UGC's AFS licence and banned Mr Hewish from providing financial services for 10 years. The cancellation was based on ASIC findings that UGC lured people into investing their retirement savings in UGC-related products, recommended highly speculative investments in GCPF in which Mr Hewish had an interest, attempted to contract out of its personal advice obligations, failing to

act in clients' best interests, and contravened obligations to ensure efficient, fair, and honest provision of financial services.⁵

- **June 2024:** ASIC obtained interim orders from the Federal Court freezing the assets of UGC and related property investment company GCPF.
- **5 July 2024:** UGC entered voluntary administration.
- **9 August 2024:** UGC's creditors resolved to liquidate the company and appointed SV Partners as liquidator.
- **31 May 2025:** UGC's membership of the AFCA scheme was cancelled. Complaints cannot be lodged to AFCA when UGC was not an AFCA member.
- **25 September 2025:** AFCA reinstated UGC to AFCA membership until 31 March 2026 to ensure impacted consumers can access redress following the collapse of the Shield and First Guardian⁶.
- **31 March 2026:** UGC's extended membership of AFCA will be cancelled. No further complaints about UGC can be lodged to AFCA after this date.

Former clients of UGC may be unsecured creditors in the liquidation, however based on the information available to date it is not expected that former clients will receive any dividends/liquidation proceeds.

5.2.2 Global Capital Property Fund (GCPF)

GCPF is an unlisted public company incorporated in August 2019. GCPF raised around \$85m from 538 shareholders between 2019 and 2022 (an average of \$158,000 investment per shareholder). GCPF's accounts as at 30 June 2023 showed it had 82m shares on issue and net assets of \$94m.

The vast majority of GCPF's shareholders came to acquire their shares in GCPF via the UGC Advice Model and, consequently, the money invested in GCPF primarily comprises investors' retirement savings rolled over from their regular superannuation accounts into SMSFs and thereafter invested in GCPF shares.

GCPF used the proceeds of money raised to invest in a range of property developments. At the time of being placed into liquidation GCPF's portfolio consisted of 15 individual investments, of which 1 has been completed. The investments have been made by loaning and/or advancing funds to, or taking an equity interest in, special purpose vehicles (SPVs) which own the land on which the projects are being undertaken, or which at the time of the investment proposed, to acquire the land. Five of the 14 ongoing projects are being undertaken by SPVs related to GCPF.

The ability of each of the SPVs to repay GCPF's investments is contingent on the relevant projects turning a profit as well as the level of liabilities in the SPV. Most of the projects have been delayed. Some of the projects are likely to realise a loss to GCPF.

Investors in GCPF have not received any returns or distributions from the fund since it was established. Since June 2021, GCPF has incurred monthly "management fees" owed to a related entity, GCPF Management Pty Ltd, to manage its portfolio of assets.

⁵ <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-170mr-asic-bans-united-global-capital-in-administration-director-for-10-years-and-cancels-licence/>

⁶ <https://www.afca.org.au/news/latest-news/update-on-response-to-shield-and-first-guardian-collapse-including-ugc-membership-of-afca>

In June 2024, ASIC obtained interim orders from the Federal Court to freeze the assets of GCPF to protect investor funds while an investigation was ongoing. On 3 October 2024 the Federal Court made orders for GCPF to be wound up and appointed FTI Consulting as liquidators⁷.

The liquidation process is in its infancy. We are not aware of estimates of the disposal values of GCPF's assets and by extension, the potential return to investors and former clients of UGC.

5.2.3 UGC experience to date

As at 31 July 2025, AFCA had received 615 complaints in relation to UGC. This is reduced from 684 complaints at the cut-off date due to data cleaning undertaken by AFCA – for example, identifying duplicates. Table 5.3 outlines the AFCA complaint and CSLR claim experience related to UGC to 31 July 2025.

Table 5.3 – UGC complaint and claim experience

Levy Period	As at 31 May-25	As at 31 Jul-25
Open complaints	600	486
Determined complaints	48	69
Discontinued complaints	36	60
Total Complaints	684	615
Open CSLR claims	20	18
Ineligible CSLR claims	2	2
Paid CSLR claims	-	19
Total Claims (inc. ineligible)	22	39

To 31 July 2025, AFCA have made determinations on 69 UGC complaints and 39 UGC claims have been received by CSLR (2 of which had submitted a CSLR claim without a determination and are considered ineligible as at 31 July 2025). CSLR has paid 19 of these claims.

Complaints against UGC are expected to relate to investor losses in GCPF and other investments/funds (the number of complaints made against UGC is more than the 538 shareholders in GCPF). UGC's advisors are also known to have advised clients to make investments in First Guardian. As UGC's AFCA membership has extended we expect more complaints to be reported until 31 March 2026, particularly in relation to losses from the First Guardian collapse.

5.2.4 Liquidation of UGC and GCPF

The Scheme's subrogation rights are limited to the entity against which the AFCA determination was made (i.e. UGC). In its Statutory Report to Creditors dated 25 March 2025, UGC's liquidator reported that a claim has been filed against a former director and that recovery action is being considered against an entity previously engaged by UGC. As at the date of the report, it remains uncertain whether recoveries will be sufficient to enable a dividend to any class of creditors, particularly given the significant amount owed to priority (employee) creditors. No payment to affected AFCA complainants is assumed in respect of UGC's liquidation.

In its Statutory Report to Creditors on 24 December 2024 and most recent update to investors on 6 August 2025, GCPF's liquidators anticipated that a material dividend will be payable to its shareholders in due course. The liquidator has taken control of \$15.9m of cash and is currently undergoing recovery activity in respect of \$93.8m that has been invested into projects (no estimates have been provided due to commercial sensitivity).

⁷ Australian Securities and Investments Commission v United Global Capital Pty Ltd [2024] FCA 1215

The final dividend is not yet known with any certainty, nor the timing of when the liquidation process will be completed.

The timing and amount of any dividend will ultimately be determined by the liquidator. The liquidator may pay an interim dividend in advance of a final dividend.

5.2.5 Implications for the FY2027 Levy Period Initial Estimate

The number of UGC complaints that AFCA can process during FY2026 and FY2027, and consequently the number of UGC complaints remaining for payment in FY2027, is a key determinant of the assumed CSLR claims payments for the FY2027 Levy Period.

We understand that AFCA Determinations refer to deductions for amounts received from UGC and GCPF liquidations in estimating the loss to the client. Payments, which commenced in June 2025, are made by the Scheme for UGC claims where CSLR can reconcile the amounts received from both liquidations to ensure that claimants receive the appropriate compensation in line with the relevant AFCA determinations and that any amounts in excess of the AFCA determinations are recovered by the Scheme.

5.2.6 Assumptions relating to UGC claims

There is limited information on the investment losses for each UGC complainant – i.e. what was the nature of advice provided, the size of the initial investment, when funds were invested, where the assets were invested, etc. Ultimately, it will be up to AFCA to obtain this information and determine the loss.

For the purposes of estimating CSLR claim payments arising from UGC, we have made the following assumptions:

- We have assumed 538 complaints relate to GCPF. The remaining 77 complaints for UGC are assumed to result from investments in First Guardian. There may be other reasons for a complaint to be lodged against UGC, but these appear to be the main issues identified.
- For GCPF related losses, the estimated loss is calculated as follows:
 - > Assumed an average investment of \$158,000 was made in 2019. We have assumed a distribution of amounts invested around this average. This gives a spread of investment sizes (i.e. some investors invested more, while others invested less than the average amount) by complainant⁸.
 - > We assume that, as part of its overall assessment of loss, AFCA will assess the Counterfactual Investment for a complainant, i.e. what position the claimant would have been in had the breach not occurred and appropriate advice been provided. To estimate this component of the overall loss, we assume Counterfactual Investment returns are based on a balanced investment portfolio.
 - > CSLR claim size is calculated based on the value of the AFCA Determination, and where specified, less any payment received from the liquidation of other entities (e.g. UGC, GCPF). The compensable loss is capped at \$150,000.
 - > We assume that CSLR will make payments to claimants prior to GCPF related distributions being finalised. That is, CSLR will pay compensation in relation to relevant AFCA Determinations up to the \$150,000 cap.
 - > We have assumed a modest interim dividend in the order of \$10m for GCPF will be made during FY2027 relevant to CSLR claimants (this is an assumption we have made, acknowledging that the liquidator hasn't made any representations in this regard at the time of writing this Report). In

⁸ A distribution of original investment sizes is required to estimate CSLR compensation after applying the \$150,000 compensation cap.

appropriate circumstances, CSLR will receive interim dividend amounts on behalf of claimants to whom compensation payments have been made and then determine how much should be remitted to the claimant. For example, where the loss amount is less than \$150,000, then the dividend will be a recovery against the amount paid by CSLR. The claimant is in the same financial position compared to if they waited until all dividends were received and then making a claim with CSLR. This means that CSLR will only retain a proportion of the interim dividend.

- For First Guardian related losses, no CSLR payments are assumed to occur in the FY2027 Levy Period (for reasons set out in Section 1.2.2 and 5.4).

Table 5.4 shows our assumed distribution of the balance arising from GCPF investments with counterfactual investment returns and allocation of the interim dividend amounts per investor. We have assumed that the \$10m interim dividend is allocated across the 538 investors in proportion to their loss (i.e. \$18,000 in recoveries per GCPF investor).

Table 5.4 – Distribution of GCPF claim sizes and interim dividends allocation

Decile	Original investment value	Estimated Counterfactual Investment value	Gross CSLR payment	Recovery from Interim Dividend		Net CSLR payment
				To CSLR	To client	
0-10%	30	48	48	4	-	45
11-20%	60	96	96	7	-	89
21-30%	81	130	130	10	-	120
31-40%	101	163	149	3	9	146
41-50%	122	195	150	-	14	150
51-60%	150	241	150	-	18	150
61-70%	177	285	150	-	21	150
71-80%	213	342	150	-	25	150
81-90%	265	425	150	-	31	150
91-100%	387	621	150	-	45	150
Average			132	2	16	

We estimate that a \$10m interim dividend will result in a \$1.2m recovery to the CSLR.

Table 5.5 shows the assumed UGC average claim size allowing for the losses arising from GCPF of \$132,000, which is 5% higher than adopted for the FY2026 Revised Estimate.

Table 5.5 – Assumed UGC average claim size

Type of Investor	Average Claim Size (\$000)	Average Recovery Size (\$000)
Selected per Claim	132	2
Selected per Determination	139	

We have assumed that 5% of Determinations will result in multiple CSLR payments (based on the DASS experience to date), and therefore we assume an average claim size per Determination of \$139,000.

5.3 Brite Advisors Pty Ltd

5.3.1 Brief history of Brite

Brite Advisors Pty Ltd (Brite) and its related entities operate in multiple countries (including the UK, US, Hong Kong, and Australia), providing advisory, pension administration and asset management services. Brite offered an investment platform (Brite Platform) to self-invested personal pension providers, qualifying recognised overseas pension schemes, and self-managed superannuation funds.

ASIC commenced proceedings against Brite Advisors Pty Ltd in October 2023, obtaining interim Federal Court orders to freeze the company's funds and assets due to concerns about its financial position. On 13 December 2023 the Federal Court ordered that receivers and managers be appointed. On 6 February 2024, the Federal Court ordered Brite Advisors to be wound up on just and equitable grounds, appointing liquidators, receivers, and managers concurrently to manage the process. The issues include concerns of notable discrepancies between reported and actual client funds, with has resulted in ASIC accepting a court enforceable undertaking against Brite's auditor (on 27 June 2025) in relation to the financial years ended 30 June 2019 to 2022. A range of other suspected breaches have also been indicated.

In September 2024, AFCA determined a complaint against Brite that was subsequently unpaid. CSLR paid the resulting claim of \$21,888.20 in relation to this complaint. Under the legislation governing the CSLR, this automatically led to ASIC's cancellation of Brite's AFS licence on 29 April 2025. ASIC has determined that Brite remain a member of AFCA for a period of 12 months from that time until 29 April 2026.

Client funds, i.e. Assets under Management (AuM), are separately being managed by Receivers to preserve the funds and determine beneficiary entitlements. In the most recent report to the Federal Court dated 23 July 2025, the Receivers estimated a surplus between the value of the assets and beneficiary entitlements of 6.1% (as at 4 July 2025), or US\$45.7m more than the beneficiary entitlements of US\$748.0m⁹ (based on purported value of investments that should have been held as at 13 December 2023). This compares to a deficit estimated as at 13 December 2023, with the then discrepancy estimated at 13%. The reduction in the discrepancy follows the appointment of the interim fund manager by the Receivers (pursuant to orders made by the Federal Court on 6 March 2024) for the purposes of monitoring and managing the Client AuM. Pursuant to weekly reports published by the interim fund manager, BML Funds, on the Receivers' creditor website the improvement in the discrepancy between the value of the assets and beneficiary entitlements was due to a number of factors, including market rate movements during the period.

Notwithstanding, the Receivers point to several continuing areas of investigation that may affect the estimated level of shortfall at both an aggregate and individual level. A significant and continuing area of investigation includes a possible adverse Australian Taxation Office (ATO) outcome. As set out in the Receivers' 10 September 2025 update, the maximum tax liability is circa \$175m. The Receivers' position is that there is no such adverse outcome, however the ATO has not yet reached a view as to the appropriate tax treatment.

The Receivers identify around 2,000 beneficiaries of the investment assets¹⁰, which implies an average investment value of approximately US\$370,000 per beneficiary.

⁹ This figure excludes pension withdrawals and Beneficiary loans to be recovered (see Section 2 of the Receivers' Report to the Court dated 23 July 2025).

¹⁰ The Receivers continue to assess and verify the number of beneficiaries.

5.3.2 Brite experience to date

AFCA had received 632 complaints in respect of Brite as at 31 July 2025, with many of these recently reported since ASIC's cancellation of Brite's licence. Table 5.6 outlines AFCA's complaint experience related to Brite to 31 July 2025 compared to that in our most recent previous review as at 31 May 2025.

Table 5.6 – Brite complaint experience

Levy Period	As at 31 May-25	As at 31 Jul-25
Open complaints	613	627
Determined complaints	-	-
Discontinued complaints	5	5
Total Complaints	618	632
AFCA complaint amount (\$000)	28,003	28,443

AFCA has indicated that the circumstances surrounding the complaints are not yet known at this early stage; specifically, how many clients received financial advice, the involvement of the Australian AFS licenced entity and whether the circumstances meet the criteria for a CSLR compensable loss. The Receivers' latest report¹¹ reviewed for this Report continues to indicate that substantial investment funds remain. Nonetheless, we expect that investor losses will arise from misuse of funds and associated foregone investment returns on those funds. These investigations are continuing and will ultimately be decided by AFCA in Determinations regarding both the cause and magnitude of financial loss.

5.3.3 Implications for the FY2027 Levy Period Initial Estimate

The relevance of Brite to the FY2027 Levy Period Initial Estimate will depend on the following

- Whether the complaint circumstances make them in scope for CSLR compensation, including whether personal financial advice was provided and if this involved Australian financial planners.
- The size of financial loss suffered by the complainant.
- The number of Brite complaints that AFCA determines during the FY2027 year.

We have assumed that AFCA will determine 90 Brite complaints over FY2026 and FY2027, with an expected 62 receiving CSLR compensation in the FY2027 Levy Period. This estimate is based on AFCA's projected number of determinations and expectation that at least 90 complaints received to date will be eligible for CSLR compensation.

Brite clients have until at least 29 April 2026 to lodge a complaint with AFCA, so the ultimate number of complainants is yet to become clear. Experience from both DASS and UGC suggest that it is likely that substantially more complaints will be lodged as the 29 April 2026 deadline approaches (and in the case of UGC, it appears most clients do end up making a complaint). The final number of complaints lodged should be known by the time we make a Revised Estimate for the FY2027 Levy Period. Notwithstanding, the implications for the FY2027 Levy Period are expected to be limited, as additional Brite complaints that are lodged are unlikely to be determined in time for payment within the period.

5.3.4 Assumptions relating to Brite claims

The average purported value of investment, based on beneficiary entitlements reported by the Receiver, of US\$370,000 (as at 13 December 2023) is well in excess of CSLR's compensation limit of A\$150,000. The financial

¹¹ "Receivers and Managers' Supplementary Report regarding growth of Client AuM since 13 December 2023", 23 July 2025

loss to investors will depend on the amount of assets that remain in Brite and AFCA's consideration of Counterfactual Investment decisions that may have been otherwise made.

The loss for each investor will be different depending on the size of the investment, when the investment was made, and the type of investments made. The specific circumstances of the financial advice provided, and the individual's investment appetite, will also be relevant in estimating the loss to an individual. This information was not available to Finity for setting the Initial Estimate.

We have assumed an average loss size for the Initial Estimate as follows:

- Assumed an average purported value of investments of US\$370,000 as at 13 December 2023. We have assumed a distribution of smaller and larger initial investments around the average.
- The average investment value as at 4 July 2025 is US\$390,000. This is based on the Receiver's estimate of the asset values at that time.
- We assume that, as part of its overall assessment of loss, AFCA will assess the Counterfactual Investment for a complainant, i.e. what position the claimant would have been in had the breach not occurred and appropriate advice been provided. To estimate this component of the overall loss, we assume Counterfactual Investment returns are based on growth equity products S&P 500. We estimate the difference between the Counterfactual Investment value and the actual assets as at 31 July 2025 to be A\$150,000 on average.
- We consider an average CSLR compensation amount of around A\$136,000 to be appropriate at this early stage, before allowing for any deductions for liquidation distributions.
- Assumed AFCA Determinations will include deductions for distributions from the liquidation of Brite.

It is possible that AFCA makes Determinations (and consequently CSLR makes payments) on Brite claims prior to the Receiver finalising distribution of Brite's assets to investors. In this instance, CSLR may make payment ensuring that claimants receive the appropriate compensation in line with the relevant AFCA determinations. This could mean a substantial payment by CSLR (up to A\$150,000) followed by a recovery to CSLR from any distribution from Brite if the counterfactual investment loss is below A\$150,000.

If CSLR takes the approach of paying the capital loss of Brite initially and then subsequently adjusting the loss following distribution of funds from Brite's Receivers, we assume a gross CSLR payment of \$136,000 followed by a subsequent average recovery of \$54,000. This is shown in Table 5.7.

Table 5.7 – Estimate of Brite related claim costs (\$000)

Decile	Estimated counterfactual investment balance	Actual asset value	Counterfactual investment loss	Gross CSLR payment	Recovery from liquidation		Net CSLR payment
					To CSLR	To client	
0-10%	50	41	9	50	40	0	10
11-20%	114	93	21	114	92	1	23
21-30%	167	136	31	150	117	19	33
31-40%	231	188	43	150	104	83	46
41-50%	318	258	60	150	87	171	63
51-60%	437	355	82	150	64	291	86
61-70%	586	476	110	150	34	442	116
71-80%	837	680	157	150	-	680	150
81-90%	1,308	1,063	246	150	-	1,063	150
91-100%	3,249	2,639	610	150	-	2,639	150
Average				136	54		

The liquidators will apply to the Court during 2025 to pay an interim dividend. We understand that several factors may affect whether the Court approves the payment of a dividend. We have assumed that recoveries will not be paid in FY2026 or FY2027. Our estimated payments for the FY2027 Levy Period for Brite will change if a dividend is paid before or during FY2027. We will consider this again for the Revised Estimate.

We have assumed that 5% of Determinations will result in multiple CSLR payments (based on observed DASS experience to date), and therefore the average claim size per Determination is \$143,000.

Table 5.8 – Assumed Brite average claim size

Brite	Average size (\$'000)
Selected per Claim	136
Selected per Determination	143

Material issues around whether Brite related complaints would be eligible for CSLR compensation are yet to be determined, which means the range of potential cost outcomes resulting from Brite is large. The Initial Estimate allows for complaints where we are more certain of eligibility, in that AFCA has identified they are likely to have received financial advice within Australia. In providing an estimate of ultimate cost of Brite related complaints, we assume that 20% of the 2,000-odd Brite clients will have a CSLR-eligible claim (informed by our stakeholder discussions). This is based on what we understand at this stage but, as highlighted above, it is unclear how many Brite clients would be eligible for CSLR compensation.

5.4 Shield Master Fund & First Guardian Master Fund

5.4.1 Overview

Shield Master Fund (Shield) and the First Guardian Master Fund (First Guardian) are two Managed Investment Schemes (MIS) that have recently failed. In this section we discuss the background of Shield and First Guardian.

Investors suffering losses from these MIS may be eligible for CSLR compensation if the investment decision was based on inappropriate personal financial advice and a successful complaint is made against the financial advice organisation giving that advice. While the failure of Shield and First Guardian are distinct from each other, some financial advice firms were responsible for directing investments into both MIS entities. AFCA complaint data captures the complaints against the financial advice firm, and it's not possible to distinguish claims involving Shield and First Guardian. Therefore, we consider Shield and First Guardian together in our Initial Estimate for the FY2027 Levy Period.

5.4.2 About Shield Master Fund

Shield Master Fund (Shield) is an MIS registered on 24 May 2021. Keystone Asset Management (KAM) is the responsible entity of Shield. Receivers and Managers were appointed by the Federal Court on 27 August 2024, with KAM placed into liquidation on 2 December 2024.

ASIC understands that more than \$480m of investments were made into Shield by around 5,800 investors (average \$83,000 invested), who accessed Shield primarily through superannuation platforms, the trustees for which were Macquarie Investment Management Limited (Macquarie) and Equity Trustees Superannuation Limited (Equity Trustees).

Action against Shield was commenced by ASIC on 7 February 2024 by halting offers of Shield. The Federal Court froze assets relating to Shield on 18 June 2024.

On 10 April 2025, Shield was terminated by KAM (by the appointed Receivers and Managers) noting the following (summarised from the notice provided by KAM):

- KAM is in liquidation.
- The investment purposes outlined in PDSs for each class of unit cannot be achieved.
- KAM has invested a significant amount of Shield funds into the Advantage Diversified Property Fund (ADPF), for which KAM was the trustee. The ADPF has in turn made loans to various special purpose vehicles in relation to potential land and/or property development projects. Many of these loans were made without the typical documentation and protections generally afforded in loan arrangements of a similar nature which has likely resulted in significant losses to Shield.
- Some of the Shield funds may have been misappropriated.
- There appear to have been material breaches of the law that may have resulted in further losses to Shield unitholders.
- Continuing the existence of Shield to search for a potential replacement responsible entity of Shield who can reposition the assets of the Shield classes and achieve the return objectives of the Shield unit classes as disclosed in the Shield PDSs:
 - > is unlikely to result in such a replacement responsible entity being found; and
 - > may result in further deterioration in the value of the Shield assets.

On 25 September 2025, ASIC announced that Macquarie has committed to repaying approximately \$321m invested capital to the 3,000 Shield investors who used its platform¹². Macquarie has agreed to pay members 100% of the amounts invested, less any amounts withdrawn, without waiting for an outcome of the Shield liquidation or proceedings against other parties involved.

5.4.3 About First Guardian

First Guardian Master Fund (First Guardian) is an MIS. Falcon Capital Limited (Falcon) is the responsible entity of the scheme and was placed into liquidation on 9 April 2025.

ASIC understands that investments were made into First Guardian by around 6,000 investors, who accessed First Guardian primarily through superannuation platforms the trustees for which were Diversa Trustees Limited (Diversa), Netwealth Investments Limited/Netwealth Superannuation Services Pty Ltd (Netwealth), or Equity Trustees Superannuation Limited (Equity Trustees). The liquidator's investigation has determined that approximately \$446m of funds have been received by First Guardian from its unit holders (approximately \$74,000 per investor).

ASIC acted against First Guardian as it was concerned about the management and operation of First Guardian and the associated risks to investor funds. ASIC alleged that:

- Approximately \$274m of First Guardian's value comes from cash receivables (i.e. money it is owed) but much of that money is overdue and has not been paid.
- More than \$23m of First Guardian's assets appear to have been paid to entities purportedly providing marketing services which appear contrary to the representations made to investors.
- First Guardian has invested in entities which Mr David Anderson, director of Falcon, had an association with or financial interest in, and Falcon appears to have failed to recognise and manage conflicts of interest.
- At the time of making their investment, investors may have been exposed to asset classes that differed from what was originally disclosed to them.

¹² ASIC 25-215MR, published 25 September 2025

- Investors may have been misled about the security of their investment and likely returns.

The Liquidator has assessed that the overall recoverable value of the investments is likely to be considerably less than their combined book value, resulting in a substantial shortfall to outstanding investor funds.

5.4.4 Experience to date

ASIC has identified the following AFSL holders providing personal financial advice that it understands may have advised their clients to invest in Shield¹³ or First Guardian¹⁴:

Financial Advisor
MWL Financial Services Pty Ltd (AFSL cancelled 25 August 2025, AFCA membership maintained at least until 25 August 2026)
Interprac Financial Planning Pty Ltd (going concern), and the following Authorised Representatives:
<ul style="list-style-type: none"> • Venture Egg Financial Services Pty Ltd (formerly Ferras Merhi Pty Ltd & United Financial Advice Pty Ltd trading as Venture Egg (ABN 72 776 973 722) • Rhys Reilly Pty Ltd t/a Reilly Financial (ACN 606 191 557)
Financial Services Group Australia Pty Ltd, (AFSL cancelled 7 June 2025, AFCA membership maintained until at least 4 June 2026) and the following Authorised Representatives:
<ul style="list-style-type: none"> • Rebellis Financial Services Pty Ltd (ACN 666 850 228) (in liquidation) • 5 Point Australia Pty Ltd (ACN 661 120 583) (in liquidation) • AS Financial Planning Pty Ltd (ACN 666 648 942) (in liquidation) • STC Financial Pty Ltd (ACN 669 888 984) (in liquidation)
Next Generation Advice Pty Ltd (in liquidation, AFSL cancelled 18 October 2024, AFCA membership maintained until at least 17 October 2025)
United Global Capital Pty Ltd (in liquidation, AFCA membership will expire 31 March 2026 discussed above)

AFCA has recorded complaints against responsible entities, financial advisors and platform providers related to Shield or First Guardian. Only complaints about an eligible product or service under the Scheme's legislative framework could potentially become eligible for compensation, however insufficient information is known at this time to estimate the size or likelihood of this occurring.

As at 31 July 2025, the number of complaints received by AFCA (against the entities we understand were involved in some capacity) is significantly below ASIC's estimate of 11,800 affected investors (5,800 for Shield and 6,000 for First Guardian). We understand that many, if not most, of Shield and First Guardian investors would have received some form of personal financial advice. The recent UGC experience suggests that a high proportion of affected individuals will lodge a complaint, generally following information provided by a regulator to do so. We anticipate that there will be similar experience for Shield and First Guardian given the publicity surrounding the failure, unless investors have been otherwise compensated.

¹³ <https://www.asic.gov.au/about-asic/asic-investigations-and-enforcement/enforcement-activities/shield-master-fund/>

¹⁴ <https://www.asic.gov.au/about-asic/asic-investigations-and-enforcement/enforcement-activities/first-guardian-master-fund/>

5.4.5 Assumptions relating to Shield and First Guardian claims

For the purposes of estimating the ultimate CSLR compensation cost attributable to these failures and scenarios of including Shield and First Guardian compensation in the FY2027 Levy Estimate, we have assumed an average claim size per Determination of \$99,750. Details of our approach to estimating the average claim size are detailed in Appendix E.2.

5.4.6 Other avenues of compensation for affected clients

Some financial advice firms that advised clients into Shield and Financial Guardian are going concerns. Adverse AFCA findings should be paid by the financial advice firm. CSLR will only respond if the financial advice firm does not pay or is insolvent.

There may be other avenues of compensation that may be explored by affected clients against various parties involved. We do not speculate on what other future avenues might be and the potential for these to reduce losses to clients, and consequently the loss ultimately paid by CSLR. To the extent that more information is known prior to 30 June 2026, we will consider and incorporate this as appropriate into our Revised Estimate for FY2027.

One known example is the commitment by Macquarie to repay \$321m invested through its platform into Shield to around 3,000 members. Investors who will have their principal repaid by Macquarie may also be eligible for further compensation against their financial planners for Counterfactual Investment losses.

The cost to the CSLR arising from clients of Macquarie will depend on the following:

- How many will lodge an AFCA complaint. It may also be reasonable to expect that some investors may be less inclined lodge an AFCA complaint because the principal has already been repaid to them.
- How AFCA determines the Counterfactual Investment loss. Ultimately, this will be assessed by AFCA specifically for each complaint. The details of how funds subsequently received from Shield's liquidation (or any other compensation avenue) will be treated are yet to be worked out, and this will also need to be considered in an AFCA Determination.
- Whether the Financial Firm that the complaint is lodged against can (and does) pay the Determination and associated AFCA fees.

At an extreme, if all 3,000 members lodge and are eligible to be compensated by CSLR for a Counterfactual Investment loss, CSLR compensation for Macquarie members may be in the order of \$100m (excluding unpaid AFCA fees).

For the remaining 8,800-odd investors, the cost to CSLR will differ depending on the proportion of investors that are eligible for CSLR compensation and how much is recovered from non-CSLR sources. Table 5.9 shows how the ultimate CSLR compensation claims cost (excluding unpaid AFCA fees).

Table 5.9 – Estimate of ultimate CSLR compensation based on number of eligible claims and non-CSLR recoveries (\$m)

Number of inscope claims	% of initial investment recovered			
	0%	30%	60%	100%
880 (10% of investors)	90	70	60	30
2,200 (25% of investors)	220	190	140	70
4,400 (50% of investors)	440	370	290	150
8,800 (100% of investors)	880	750	570	290

There's a wide range of possible loss outcomes for CSLR. For example, the ultimate CSLR compensation is estimated to be in the order of \$370m if 50% of investors are eligible for CSLR and liquidation and other

recovery actions return 30% of the initial investment to investors. However, if 100% of the initial investment was recovered, then the CSLR compensation would be \$150m (assuming the AFCA Determination allows for Counterfactual Investment return to be compensated).

It's not possible to reliably form a central estimate of the ultimate losses from Shield and First Guardian at this stage.

5.4.7 Implications for the FY2027 Levy Period Initial Estimate

AFCA have told us that they intend to stand up a dedicated workforce to address Shield and First Guardian complaints. AFCA have indicated that this will likely be in a similar order to the DASS workforce. It is quite uncertain at this stage (given the range of ongoing investigatory and other activity currently open) if AFCA will be in a position make Determinations against financial advice firms that directed investments to Shield and First Guardian such that CSLR can make payment during the FY2027 Levy Period. Some financial advice firms are going concerns and therefore they would pay their own Determinations and AFCA's fees.

We have not included CSLR compensation payments for Shield and First Guardian in the FY2027 Levy Period Initial Estimate because it's not possible to reliably estimate at this stage for the reasons set out above.

5.5 Australian Fiduciaries Limited

5.5.1 Brief history of Australian Fiduciaries Limited

Australian Fiduciaries Limited (Australian Fiduciaries) is an AFS licensee which is the responsible entity of three registered managed investment schemes – the Global Diversified Alpha Fund, the Global Multi-Strategy Fund and the Global All Seasons Fund. Australian Fiduciaries was placed into liquidation on 4 July 2025.

ASIC is investigating concerns around¹⁵:

- Inadequate management of conflicts of interest.
- The ways investors were sold units in the schemes and how their funds were ultimately invested into a complex group of entities controlled by related parties.
- Suspected failure by Australian Fiduciaries to conduct regular valuations of its schemes.
- Loss of value in the underlying assets.

Australian Fiduciaries has failed to lodge audited financial statements or audited compliance plan reports for its registered managed investment schemes for FY2024 or the first half of FY2025. ASIC understands that it has also failed to keep investors updated on the status of their investments since May 2024.

5.5.2 Experience to date

Table 5.10 shows the number of complaints against Australian Fiduciaries received to date.

¹⁵ <https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-104mr-asic-takes-steps-to-appoint-receivers-to-australian-fiduciaries-ltd-as-investigation-continues/>

Table 5.10 – Australian Fiduciaries AFCA complaint experience to date

Levy Period	As at 31 Jul-25
Open complaints	165
Determined complaints	-
Discontinued complaints ¹	22
Total Complaints	187
AFCA Complaint Amount (\$000)	13,901

¹ Includes closed complaints without determinations

As Australian Fiduciaries is now in liquidation, AFCA will only consider complaints that fall within the scope of the CSLR. This appears limited to complaints involving personal financial advice provided by a representative of Australian Fiduciaries.

5.5.3 Implications for the FY2027 Levy Period Initial Estimate

While we note that some complaints against Australian Fiduciaries may be eligible for CSLR compensation, we have not made an explicit allowance for these complaints because it is expected that many of the complaints do not involve personal financial advice (based on our discussions with stakeholders) and it is not material to the FY2027 Levy Period noting AFCA's capacity to issue Determinations.

6 Methodology

This section outlines our approach to estimating the FY2027 Levy Period amount, including the structure of the modelling and the approach to parameterisation.

6.1 Data and information sources

We relied on a range of data and information sources in estimating the claim costs relating to the FY2027 Levy Period amount as well as unpaid AFCA fees. This section outlines these sources.

We have conducted some reasonableness checks on the data provided.

6.1.1 Complaints

We have been provided with an extract from AFCA of all complaints received by AFCA since 1 November 2018. For the purposes of estimating the FY2027 Levy Period amount, we received an extract as at 31 July 2025¹⁶.

The dataset includes complaints that have been finalised, that are in progress and those that have been paused for various reasons. Some of the key fields included in this extract are:

- The amount claimed, as entered by the complainant.
- The outcome amount where the complaint has been completed (by determination or earlier in the AFCA complaints process).
- The status of the Financial Firm (i.e. insolvent, in administration etc).
- The primary business activity of the Financial Firm to which the complaint relates (which indicates the type of financial product or service).

6.1.2 Claim Information

We have been provided with an extract from CSLR of all reported claims received since the beginning of CSLR's operations. For the purposes of estimating the FY2027 Levy Period amount, we received an extract as at 31 July 2025.

The dataset includes claims that have been paid, are in progress (i.e. verifying identification) and those that have been assessed as ineligible due to being outside of CSLR's scope. Some of the key fields included in this extract which we have relied on include:

- The AFCA complaint number for which the CSLR claim was lodged.
- The CSLR estimate amount which CSLR places on file when they have a better understanding of the likely CSLR compensation amount.
- The CSLR payment amount which is the amount of compensation actually paid.
- The relevant sub-sector for which the compensation relates (e.g. Financial Advice, Credit Provision).

6.1.3 Large Financial Failures

Where large numbers of complaints that may lead to CSLR claims arise from a financial failure, we have used information in the public domain, information made available by ASIC to CSLR as permitted under legislation, and discussions with ASIC and AFCA.

¹⁶ Note that complaints relevant to the FY2027 Levy period will be reported after the AFCA extract date. Our methodology considers and makes allowances for these complaints.

6.1.4 Other information sources

Our sources of information used in our investigation include:

- CSLR estimated operating costs for FY2027
- ASIC's estimate of levy administration costs (for administering CSLR levies)
- AFCA unpaid fee details on closed complaints
- AFCA forecast of Determinations
- Searches on ASIC's website on Financial Firms and their trading status
- Publicly available information relating to Other Financial Firms to assist with understanding their current trading status and additional information as to the nature, or likely result, of complaints made against the Financial Firms.

6.2 General methodology

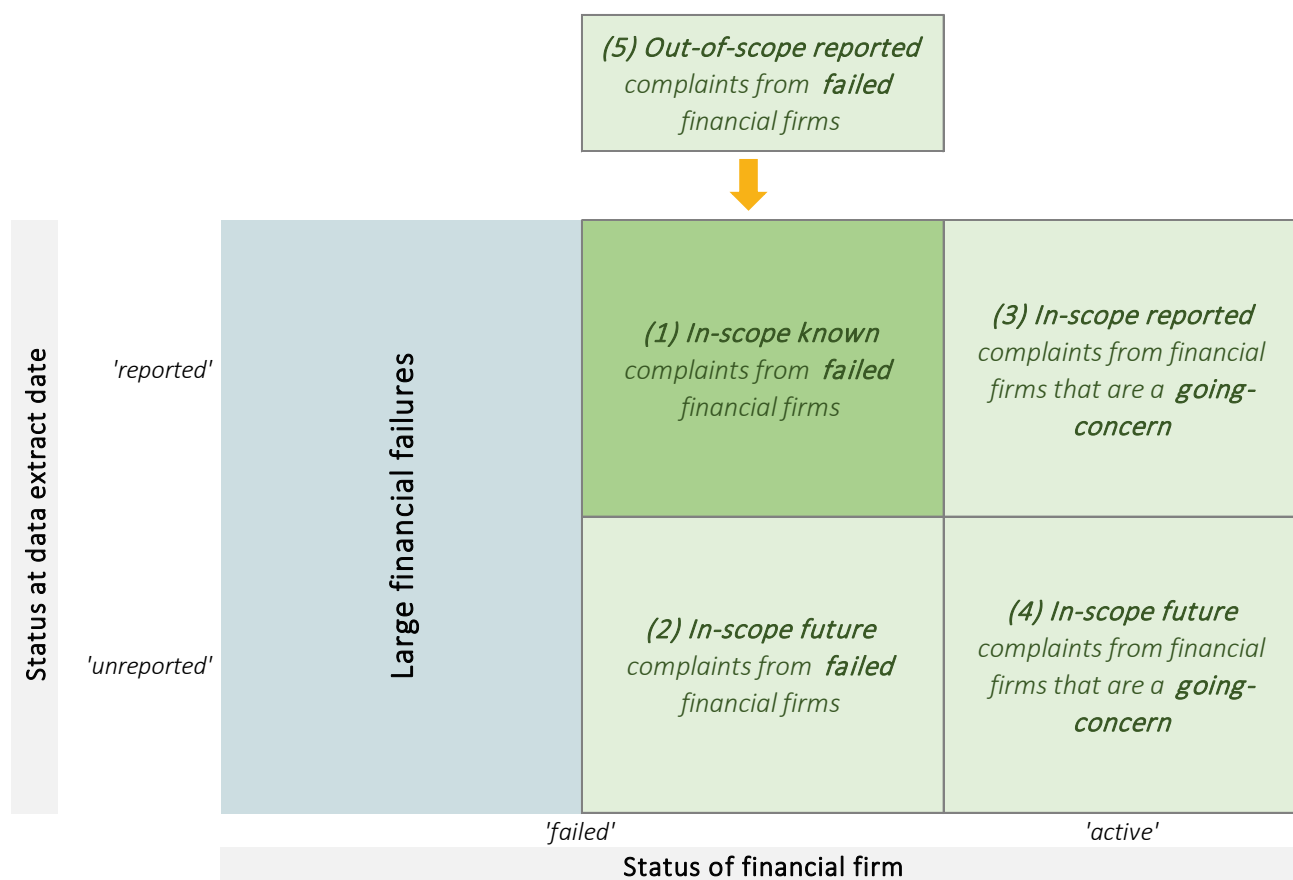
Our general approach can be summarised as follows:

- For large financial failures:
 - > We estimate the number of complaints that may result in a CSLR claim payment within the Levy Period. This is a combination of considering the ultimate number of complaints that may arise from the failure, the number of complaints reported, and AFCA's workflow plans to make determinations on these complaints.
 - > The average CSLR claim size is estimated based on the available information so that the average claim sizes reflect what we know about the losses in each instance.
 - > Similarly, the potential for recoveries and how these recoveries may eventuate is considered specifically for each financial failure.
 - > These considerations are documented in Section 5 in our discussion of the large financial failures.
- For claims arising from non-large financial failures, we have made estimates of the number of complaints that may be raised by the source of the claim, as discussed below. The capacity for AFCA to make determinations of these complaints, such that a CSLR claim payment can be made within the Levy Period is considered.

6.2.1 Sources of potential claims

There are several cohorts of complaints that could ultimately lead to successful CSLR claims. Figure 6.1 outlines the structure by which we have classified and considered the complaints.

Figure 6.1 – Sources of potential CSLR claims



The amount of compensation, net of recoveries, is summarised by each of these cohorts and split by sub-sector in Section 7.7. The most material cohorts for the FY2027 Levy period are claims arising from the large financial failures.

Table 6.1 summarises the modelling approach for each cohort of potential CSLR claims.

Table 6.1 – Modelling approach

Complaint cohort	Description	Approach
Group (1)	In-scope known complaints from already failed firms	We have relied on individual AFCA complaint information as a starting point of our estimate and AFCA's forecast capacity for determinations to determine the number of claims. We have also used CSLR claim payment experience from similar complaints to inform settlement size assumptions.
Group (2)	In-scope future complaints from already failed firms or events	We have considered how complaints emerge relative to the failure date of a firm, based on historical trends observed in AFCA's complaints database. We have made separate allowances by sub-sector for future unreported claims relating to already failed firms.

Complaint cohort	Description	Approach
Group (3)	In-scope known complaints from Financial Firms that are currently a going concern but subsequently fail prior to paying an adverse determination	Groups (3) and (4), which combined form the cohort of in-scope complaints arising from future non-large failures, are modelled together. We have estimated the expected number of non-large firm failures per year as well as the expected number of complaints per non-large firm failure, using the AFCA complaints data. This is separately estimated for each sub-sector.
Group (4)	In-scope future complaints from Financial Firms that are currently a going concern but subsequently fail prior to paying an adverse determination	
Group (5)	Out-of-scope known complaints from already failed firms	We examined each failed Financial Firm that had unresolved out-of-scope complaints. We applied a likelihood of that complaint becoming in-scope.
Other complaints	Out-of-scope complaints relating to future complaints and/or future failures to transition to becoming in-scope complaints	Not further considered as not expected to be material.

At a high level, the methodology for estimating costs for the levy period amounts can be characterised as:

$$\begin{aligned}
 \text{Total Cost} = & \sum_{\text{modelling segments}} \{[\# \text{Claims processed} \times \text{Average Claim Amount}] + \text{AFCA fees} - \text{Recoveries}\} \\
 & + \text{Capital Recovery} \\
 & + \text{CSLR Operating Costs} \\
 & + \text{ASIC Costs}
 \end{aligned}$$

6.2.2 Volume of CSLR claims processed

The amount of claim payments by CSLR in the Levy Period is a function of two main drivers:

- The number of complaints lodged with AFCA that would be in-scope for CSLR.
- The processing of those complaints by AFCA, issuing of an Appropriate Steps Notice (ASN) following an AFCA determination, and the subsequent payment by CSLR of claims lodged with CSLR.

Our approach is to consider the total number of complaints arising from known failed Financial Firms (Groups 1 and 2) and the large financial failures. We then consider how many of these are expected to be paid by CSLR within the Levy Period based on the capacity of AFCA to make determinations on these complaints and CSLR to then make payments.

For Groups 3, 4, and 5, the nature of the complaints and/or the Financial Firms are unknown. For these segments our method is to estimate a typical rate of Financial Firms failing, and of 'out-of-scope' claims transitioning to 'in-scope', in estimating the potential volume of AFCA complaints that may emerge. We have similarly considered AFCA's capacity to make determinations on these complaints and CSLR to then make payments within the Levy Period.

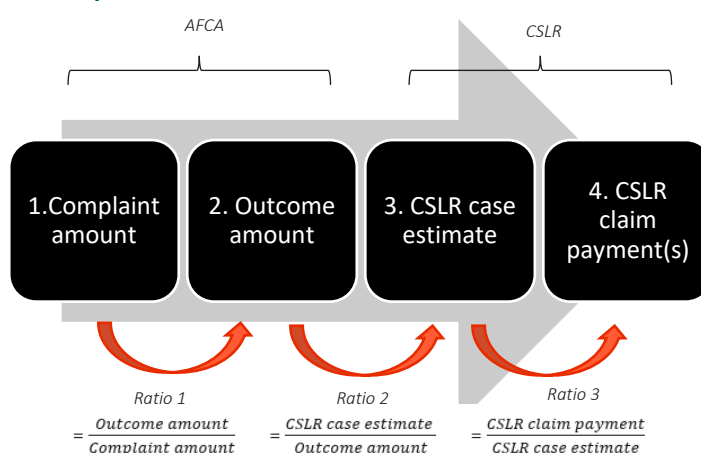
AFCA has advised CSLR of their expected monthly volume of ASNs based on their planned workforce and considering the complexity of various types of complaints. It provided these expectations, broken down between large financial failures, other Financial Advice and all other sectors separately to 30 June 2027. AFCA notes that the expectations are prior to commencing workforce planning and budgeting for FY2027.

The dedicated workforce that AFCA intends to establish for Shield and First Guardian complaints will significantly increase AFCA's capacity to make determinations and, consequently, the number of CSLR claim payments that can be made.

6.2.3 Average CSLR Claim Payment

There are four stages in the complaint/claim process where estimates of claim size develop, as outlined in Figure 6.2.

Figure 6.2 – Claim estimate lifecycle



- 1 **Complaint amount:** The amount entered by the complainant at the time of lodging the complaint. They are not obliged to enter an estimate and for many complaints it is 'zero' or blank. There is limited guidance given to the complainant on how to approach estimating the loss at this point in the complaint lifecycle.
- 2 **Outcome amount:** The amount of the determination made by AFCA. The loss quantified by AFCA and potential deductions that form part of a determination.
- 3 **CSLR case estimate:** The estimate of claim cost put on the claim by CSLR during the claim management process. The CSLR case estimate considers the outcome amount, additional interest components as outlined in the determination, and crystallising contingencies included by AFCA in the determination.
- 4 **CSLR claim payment:** The actual compensation payment(s) made to eligible claimants. There may be multiple payments made per determination, which are capped at per-person limit.

We model the development of claim cost estimates at each claim development stage outlined in Figure 6.2 for each sub-sector.

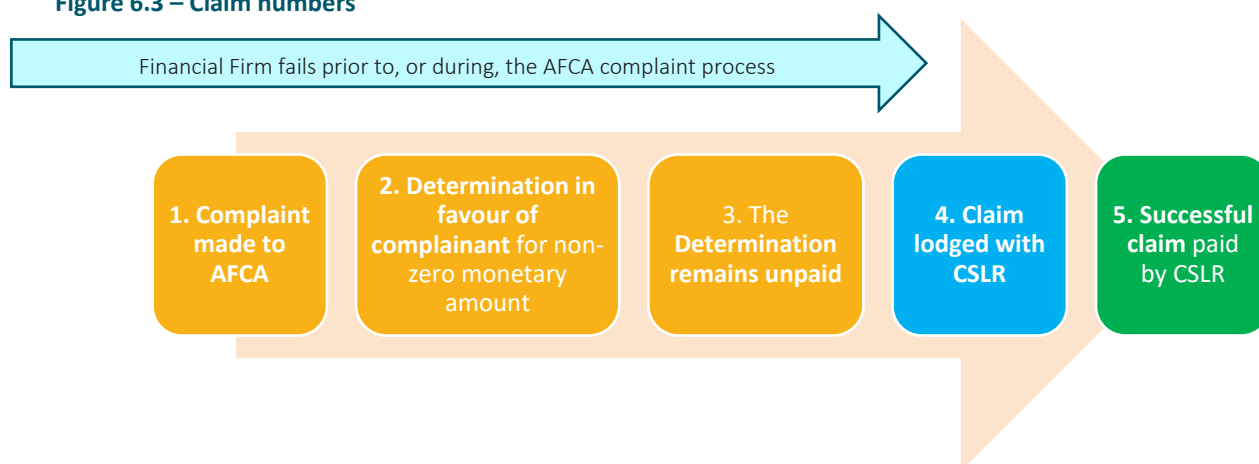
In the following sections we set out the approach to estimating each of the components of the levy estimate across the sources of potential claims outlined in Section 6.2.1.

6.3 Group (1): In-scope reported complaints from already failed firms

6.3.1 Probability of a successful CSLR claim

The approach to estimating the probability of a complaint becoming a successful claim with CSLR considers the progress through various stages, as shown in Figure 6.3.

Figure 6.3 – Claim numbers



The Group (1) cohort of complaints relates to Financial Firms that have already failed and therefore will not pay the whole determination amount. For these open complaints, we are left to estimate:

- The likelihood of a determination being made by AFCA in favour of the complainant for a non-zero monetary amount.
- The likelihood that the complainant lodges a claim with the CSLR.
- The likelihood that CSLR accepts the claim.

6.3.2 Estimating the CSLR Claim Payment Amount

The claims payment amount is estimated by applying the claim development ratios outlined in Section 6.2.3. Where the initial complaint size is blank, an assumed amount is used based on analysis of similar complaints.

6.4 Group (2): In-scope future complaints from already failed firms

For failed Financial Firms, complaints that have resulted in unpaid determinations are reported both before and after the Financial Firm failed¹⁷. There are often significant points in time at which general awareness is elevated for specific Financial Firm failures that result in an increase in the volume of complaints being received. Sometimes this may be related to actions or notifications made by administrators, regulators or the media.

To understand the likely unreported complaints that could emerge from already failed Financial Firms, we reviewed historical complaint lodgements in respect of previously failed Financial Firms. We investigated the distribution of complaint reports around the date of failure of the Financial Firm for each sub-sector.

¹⁷ Noting that there is ambiguity in the definition of a 'failure date' and in practice there are multiple points at which a firm could be considered to have failed. For example, ASIC's insolvency statistics publication includes firms that have appointed external administrators or controllers, are undergoing restructuring plans, have voluntarily wound up, are in receivership, etc.

- The outcome amounts assumed in respect of these Group (2) complaints are based on the observed average sizes of a CSLR claim from reported, in-scope complaints, as detailed in Section 6.3.2. This assumption is separately considered in respect of the four industry sub-sectors for complaints.

6.5 Groups (3) and (4): In-scope complaints from future firm failures

The other potential source of CSLR claims relevant for the FY2027 Levy Period estimate is from complaints related to Financial Firms that fail after the date of data extraction (i.e. after 31 July 2025).

To project expected future Financial Firm failures, by sub-sector and month, we referenced historical AFCA complaints data to understand:

- The number of Financial Firms that have failed over AFCA's 6+ year history, and therefore the average number of Financial Firm insolvencies per year, by sub-sector.
- The average number of complaints that are open at failure date¹⁸, and reported after the failure date, by sub-sector.
- Combining the above components gives the expected total number of complaints, by sub-sector and by year, arising from future firm failures.

We have used historical averages to estimate the costs that may arise from these cohorts, and applied judgement where the experience is volatile or sparse.

6.6 Group (5): Out-of-scope complaints from already failed firms

We have made an allowance for reported complaints on already failed firms which are currently considered out of scope, to transition to in-scope prior to Determinations being issued (Group 5 in Figure 6.1). We have considered each failed Financial Firm with complaints identified as out-of-scope. We applied a likelihood of a complaint becoming in-scope.

6.7 Potential for recoveries

The CSLR compensation amount may be reduced where the claimant receives other forms of non-CSLR compensation. The potential sources of non-CSLR compensation may include the following:

- Professional Indemnity Insurance.
- Any subsequent money receivable from the Financial Firm. The legislation gives CSLR subrogation rights (Section 1069A of the Corporations Act).
- Dividends or distributions from liquidation activities.
- Other compensation arrangements that may be in place. In terms of other Australian statutory compensation arrangements, we are only aware of one such arrangement – the National Guarantee Fund applying to certain stock exchange transactions. The NGF could apply to securities dealing, but it would not cover all situations in that sub-sector.

This list is not intended to be exhaustive.

In some circumstances, a claimant may have had the benefit of receiving funds in connection with a relevant AFCA Determination prior to making a claim with CSLR. In these cases, CSLR will consider the residual loss to the

¹⁸ Failure date was sourced from ASIC's insolvency statistics publications for all Financial Firms that failed between 1 November 2018 and 31 July 2025.

claimant in determining the compensation amount. This is implicitly allowed for in our modelling in our assumed claim sizes.

Alternatively, a claimant may accept a CSLR payment prior to receiving funds in connection with a relevant AFCA Determination, typically because it would be unreasonable to wait until such a time as those funds would be paid and that there isn't any certainty that those funds would address the entire amount of the relevant AFCA Determination. In these cases, CSLR would pay an upfront amount to the claimant initially but then may receive subsequent recoveries. The recovery may occur some time after the CSLR claim payment.

The estimate for the Levy Period considers the recoveries that CSLR may receive within that Levy Period, even if the claim it relates to was paid in a prior period.

We have considered quantum and timing of potential for recoveries to materialise specifically for each large financial failure. No recoveries are assumed for non-large financial failures (not expected to be material).

6.8 Estimating AFCA's Unpaid Fees

AFCA charges fees for its services in relation to its administration of the authority and the determination of complaints. These fees provide the core funding for AFCA under its funding model that came into effect from 1 July 2022¹⁹. There are three types of fees charged to Financial Firms:

1. An annual membership/registration fee.
2. A case fee associated with each complaint, varying by the stage at which the complaint is completed.
3. A 'user charge' fee²⁰, based on the number of closed complaints against a Financial Firm in the previous year and the stage at which the complaints were closed.

AFCA fees for eligible complaints are recoverable from CSLR, irrespective of the outcome or whether the complainant makes a CSLR claim. This means that AFCA fees will arise from a larger number of complaints than the number of claims received by CSLR.

We have assumed that, for the purposes of the estimate for the FY2027 Levy Period, only items 2 and 3 above would be unpaid by the Financial Firm. Membership fees (item 1) are relatively small and the amount would not be material, noting that AFCA has agreed to waive any membership fees outstanding from insolvent firms.

Section 8 outlines our estimate of unpaid AFCA fees relating to the FY2027 Levy Period.

6.9 Investment income

We have assumed that the Levy Period funds will be invested in a similar manner to CSLR's current investment profile (primarily cash and Term Deposits). We further discuss our estimate of investment income in Section 9.1.

6.10 Other Levy components

The legislation prescribes additional components to be included in levy estimates as outlined in Table D.1. Our approach to estimating and allocating these components by sub-sector is outlined in Table 6.2

¹⁹ <https://www.afca.org.au/members/news/new-funding-model-comes-effect-on-1-july-2022>

²⁰ As detailed at <https://www.afca.org.au/members/funding-model/user-charge>

Table 6.2 – Additional levy components

Component	Description	Approach
Capital Recovery	The legislation prescribes for funds to return the capital reserve to \$5m, to be levied from the FY2027 Levy Period onwards.	There is currently \$5m of capital so no capital recovery is required for the FY2027 Levy Period.
CSLR Operating Costs	The CSLR operating costs expected to be incurred in each levy period are included in the levy estimate.	<p>We were provided with expected CSLR operating costs for the 2026/27 financial year based on the projected number of claims in our Levy estimate. These costs are required to be covered by the FY2027 Levy Period amount, regardless of whether they relate to pre or post-CSLR complaints.</p> <p>In CSLR's forecast operating expenses, items were separately identified as either 'fixed' or 'variable' (in an approximate 80%/20% fixed/variable split overall).</p> <p>The fixed component was spread evenly across the 4 sub-sectors.</p> <p>The variable component of the expenses was allocated to each sub-sector based on the number of CSLR claims (including pre-CSLR claims) expected to be processed during the levy period.</p>
ASIC Costs	ASIC's costs in levying Financial Firms on behalf of CSLR	<p>We were provided with the expected ASIC costs in managing levies.</p> <p>The ASIC costs for the personal financial advice sub-sector (as outlined in Section 9.3) are higher compared with other sub-sectors. This reflects the cost of administering a special levy, given the sub-sector's initial levy estimate is greater than the \$20m Levy cap.</p> <p>We apportioned the ASIC costs equally across the other three sub-sectors.</p>

The legislation requires the apportionment of these levy components to sub-sectors to have regard to actuarial principles. Actuarial principles include considering financial soundness, sustainability, fairness, simplicity, and materiality of alternate apportionment approaches, though there is not one 'optimal' solution. Finity, with CSLR's management and Board, have considered appropriate approaches to apportionment of the other levy components. The approaches adopted reflect the outcomes of these considerations.

6.11 Board Policy

The estimates of the FY2027 Levy Period amounts in this Report have been determined in accordance with the finalised Board Policy: "Policy for Determination of Estimates for a Levy Period", approved by the Board on 25 June 2025, together with this report.

The Board Policy sets out the Board's principles in determining the FY2027 Levy Period amounts consistent with the obligations and objectives of the legislation. Specifically, we note the following statements from the Board Policy:

- Make separate estimates for complaints finalised and claims arising from the failure of identified known large Financial Firms and other claims;
- Separately estimate the number of AFCA complaints expected to result in successful claims under the CSLR Scheme and the average compensation amount for those claims;
- Consider the need for an additional allowance for complaints that:
 - > are not on the database because they have not been notified to AFCA;
 - > are recorded as another type of financial service, but will be ultimately determined to be in a Sub-Sector covered by the Scheme; and
 - > are against Financial Firms that are not known to have failed but will fail prior to the end of the Levy Period;
- Include a reasonable allowance for investment income that is expected to be earned on the balance of amounts received by the CSLR, from receipt until expenditure; and
- Utilise the quantitative and qualitative information that is available, and then make reasoned actuarial judgements about the parameters for the estimates.

The legislation sets out a series of adjustment mechanisms to address shortfalls and excesses from prior levy periods. Further, it would be reasonable to conclude that desirable public policy principles include not creating unnecessary financial burden and, where possible, to provide stable and predictable levies to industry.

Considering the Board Policy, our approach where there is uncertainty is to make reasonable estimates of outcomes in a reasonably favourable future environment. No allowance is included for the possibility of higher than normal failure rates or claim costs, even on an average basis. Under the Scheme design, any unexpectedly large claim amounts would be recovered from future levies once the relevant events are known.

Uncertainty and sensitivities in respect of the FY2027 Levy Period amount are discussed further in Section 11 of this report.

7 Estimate of Claim costs

In this section, we document the estimate of the claim costs expected to be paid by CSLR, arising from post-CSLR complaints, for the FY2027 Levy Period. We separately consider the expected costs associated with large financial failures from the complaints relating to other Financial Firms.

7.1 AFCA complaint experience

Table 7.1 shows the number of reported in-scope, post-CSLR complaints as at 31 July 2025 (this Initial Estimate review) and as at 31 May 2025 (the most recent previous review).

Table 7.1 – Reported post-CSLR in-scope complaints to AFCA

	As at 31 May 2025			As at 31 July 2025		
	Open	Closed	Total	Open	Closed	Total
DASS personal financial advice ¹	1,017	66	1,083	1,002	81	1,083
UGC personal financial advice ¹	600	84	684	486	129	615
Brite personal financial advice ¹	613	5	618	627	5	632
Shield/First Guardian personal financial advice ¹				90	20	110
Other personal financial advice ²	135	87	222	70	111	181
Credit provision	1	56	57	1	50	51
Credit intermediation	-	-	-	-	-	-
Securities dealing	20	91	111	15	120	135
Total	2,386	389	2,775	2,291	516	2,807

¹ All DASS, UGC, Brite and Shield/First Guardian complaints relate to personal financial advice

² Some complaints considered at 31 May 2025 relate to Shield/ First Guardian

Changes in the number of complaints for the large financial failures is discussed in Section 5.

While the number of complaints for the Credit provision subsector is quite high, these known complaints have a limited impact on the CSLR levy estimate as most of these complaints have been resolved by the relevant financial firms or have been discontinued.

The number of complaints in respect of the Securities dealing sub-sector has grown since May 2025 due to complaints against Trilogy Group Australia, which entered liquidation on the 29 May 2025. We note that most of these complaints have reached outcomes in 2023 and 2024 and may not receive CSLR compensation.

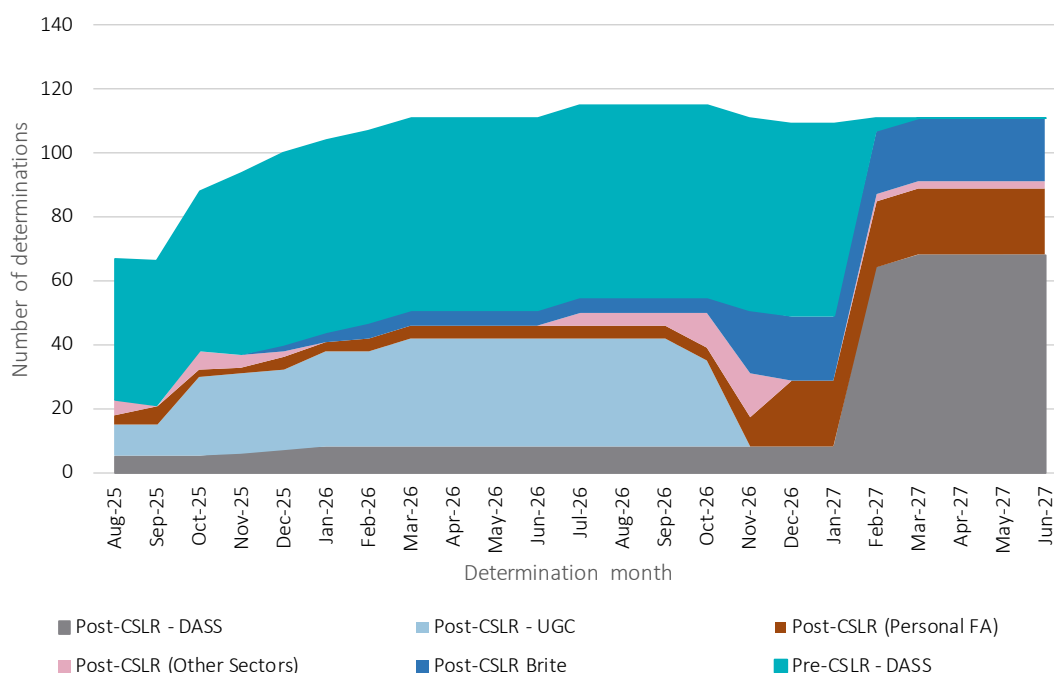
In the remainder of this section, we detail the estimation of the cost to CSLR of claims expected to be paid during the FY2027 Levy Period, considering:

- Expected AFCA and CSLR processing volumes.
- Estimated number and cost of complaints/claims in each of the 5 cohorts set out in Section 6.2.1.

7.2 Assumed AFCA complaint processing

Our assumed volume of claims paid for the FY2027 Levy Period is informed by AFCA's forecast timeframes for the determination of complaints. Figure 7.1 outlines the number of forecasted AFCA Determinations based on the forecasts of known complaints and processing capacity provided by AFCA.

Figure 7.1 – Forecast of AFCA Determinations over FY2026 and FY2027



We note that AFCA’s forecast volumes anticipate the following:

- Determinations on pre-CSLR DASS complaints will be completed by February 2027
- Determinations on UGC complaints will be completed by November 2026

AFCA’s forecast volumes are the basis for our Initial Estimate. The following adjustments were applied in addition to the above forecast for the Initial Estimate:

- Allowed for a 10% faster Determination speed in FY2027 (assumed by Finity for this Report) for known complaints on foot. This assumption reflects our understanding of ongoing productivity efficiencies in AFCA processing.
- We assume that AFCA’s workforce will be able to deliver the overall number of Determinations, even where we may differ in our estimate of Determinations by financial firm failure.
- Allowed for 30 additional Determinations on complaints that AFCA will be working on over FY2026 and FY2027 from future failures. AFCA Determination forecasts do not include complaints that lead to a CSLR claim arising from the following:
 - > Against firms who are currently solvent but that become insolvent in time to be relevant to CSLR in FY2027.
 - > ‘Transition’ to a sub-sector relevant to the CSLR as additional information pertaining to the Complaint is discovered.

Table 7.2 details how our assumed number of AFCA Determinations in FY2027 differs from the AFCA forecast provided.

Table 7.2 – AFCA FY2027 forecast & assumed determinations (excluding pre-CSLR complaints)

Type	AFCA	Modelled Determinations	Modelled CSLR Claims
Personal Financial Advice - DASS	392	474	386
Personal Financial Advice - UGC	129	148	178
Personal Financial Advice - Brite	180	60	62
Personal Financial Advice - Other	172	321	215
Personal Financial Advice	873	1,002	841
Credit Provision	5	15	10
Credit Intermediation	5	15	10
Securities Dealing	37	37	28
Total	920	1,069	889

CSLR claims are assumed to be paid two months after an AFCA Determination, which is consistent with recent experience.

7.3 Large financial failures

Substantial analysis was undertaken in understanding the circumstances of the large financial failures, as set out below.

7.3.1 Large financial failures: Claim probabilities – number of CSLR claims paid

This section estimates how many CSLR claims are expected to eventually be paid from the remaining and future complaints regarding large financial failures.

Probability of a CSLR claim and number of claims

We do not have sufficient experience of the behaviour of complainants in pursuing AFCA determinations, Discontinuance Rate (and how many may subsequently reactivate), and behaviours in seeking compensation from the CSLR for unpaid determinations (i.e. their propensity to lodge a claim with CSLR). We believe that a very high proportion of these complaints will result in CSLR claims. This is based on consideration of:

- The scale of the losses from these investments implies the losses incurred by complainants would generally be significant in the context of their original investment.
- The publicity surrounding these large financial failures.
- The limited experience to date of eligible DASS and UGC complaints that have reached determination and received CSLR compensation.

We assume that CSLR will accept and pay all eligible claims following an application. To-date, all claims of those with DASS and UGC Determinations that have lodged an eligible claim with CSLR have been accepted by CSLR.

Table 7.3 summarises the assumptions for claim probabilities relating to open and future post-CSLR complaints from Large Firm Failures that have the potential to be covered by the FY2027 Levy Period.

Table 7.3 – Large financial failures: claim probability selections

Financial Firm ¹	Probability of Determination	Probability of CSLR claim	Claim acceptance	Probability of successful claims
DASS	90%	95%	100%	86%
UGC	90%	98%	100%	88%

¹ Shield and First Guardian ultimate numbers are not able to be estimated at this point. Refer to Section 5.4 for more details on possible outcomes. Brite is discussed further below.

Based on our understanding of the client losses arising from the DASS and UGC financial failures, we assume that the vast majority will be successful in achieving a non-zero monetary Determination in their favour.

For Brite, current indications are that many of its investors may not be eligible for compensation from CSLR. We assume that 20% of Brite investors are eligible for CSLR compensation and therefore will lodge a complaint with AFCA and ultimately a claim with CSLR. It is too early to reliably comment on likely propensities for Shield and First Guardian.

Discontinued Complaints may subsequently be reactivated. We do not have data on why complaints were discontinued, though it is possible that complainants discontinued their complaints because they were not ready to proceed when AFCA restarted the complaints process. We assume 5% of discontinued complaints to 'reactivate' at a later stage across all complaints associated with a large financial failure.

The ultimate number of expected claims for large financial failures is summarised in Table 7.4. The estimated number of Determinations and CSLR claims made in the FY2027 Levy Period, based on consideration of AFCA's complaint processing volumes described in Section 7.2, is also shown.

Table 7.4 – Large financial failures: number of claims

Large Financial Failure	Projected				FY2027	
	Number of open AFCA complaints	Number of future AFCA complaints	Number of determinations	Number of CSLR claims	Number of determinations ¹	Number of CSLR claims
DASS	1,002	-	902	873	474	386
UGC	486	-	437	472	148	178
Brite	627	1,415	2,042	408	60	62
Shield & First Guardian ²	90	Refer to Section 5			-	-

¹ Number of determinations on CSLR eligible Brite complaints

² There are 90 open complaints relating to inscope failed financial firms which may be involved with Shield & First Guardian which we have identified as open complaints. Shield and First Guardian ultimate cost is not able to be estimated at this point. Refer to Section 5.4 for more details on possible outcomes.

7.3.2 Large financial failures: Average cost of claims and recoveries

Table 7.5 below summarises our assumed average claim sizes per Determination for large financial failures, noting that we have allowed for 5% of Determinations to result in multiple payments. This summarises the claim size estimates discussed in Section 5.

Table 7.5 – Large financial failures: average claim cost per Determination

Large Financial Failure	Average Size (\$'000)
DASS	142
UGC	139
Brite	143
Shield & First Guardian	TBC

7.3.3 Recoveries received in the FY2027 Levy Period

For the Large financial failures, we have made the following assumptions regarding recoveries received during the FY2027 Levy Period (discussed further in Section 5):

- DASS: Nil.
- UGC: We have assumed a \$10m interim dividend is received in 2026/27 from GCPF, which implies a \$1.24m recovery to CSLR (see Section 5.2.4 for more detail). An ultimate recovery of \$25m is assumed in this Report, which implies a \$3.6m recovery to CSLR, noting that there is limited information available from the Liquidator at this stage.
- Brite: Nil (Note: some recoveries from realising invested assets are ultimately expected).
- Shield and First Guardian: Not estimated at this stage.

7.3.4 Large financial failures: Expected Claim Costs

Our assumptions for claim probabilities, outcome amounts, capped claim amounts and recoveries combine to estimated total compensation, net of recoveries, arising from post-CSLR complaints arising from large financial failures shown in Table 7.6. The complaint counts are as at the AFCA extract date.

Table 7.6 – Large financial failures: summary of expected claim costs, net of recoveries

Large Financial Failure	Number of open AFCA complaints	Expected compensation, net of recoveries						
		Remaining number of successful CSLR claims	Assumed average compensation (\$'000)	Expected unpaid compensation (\$'000)	Expected total recoveries (\$'000)	FY2026 Levy Period (\$'000) ¹	FY2027 Levy Period (\$'000)	Remaining after FY2027 (\$'000)
DASS	1,002	873	141	122,657	-	11,374	54,760	56,523
UGC	486	472	139	65,634	(3,567)	40,909	23,426	(2,268)
Brite	627	408	143	58,320	(23,928)	3,533	8,815	22,044
Shield & First Guardian ²	90	TBC	TBC	TBC	TBC	-	-	TBC

¹ These estimated costs reflects the latest information on average compensation amount, recoveries, claim eligibility and AFCA processing capacity

² Shield and First Guardian remaining is not able to be estimated at this point. Refer to Section 5.4 for more details on possible outcomes

7.4 Groups (1) and (2): In-scope known and unreported complaints for Other Financial Firms that have already failed

We have considered the experience of post-CSLR complaints to estimate the number of CSLR claims that will arise from reported and future complaints in respect of Financial Firms that have already failed (excluding large financial failures).

7.4.1 Other Financial Firms: Claim probabilities

Claim numbers

Table 7.7 summarises the assumptions for claim probabilities relating to open post-CSLR complaints against Other Financial Firms.

Table 7.7 – Claim probabilities: Other Financial Firms

Type	Probability of Determination	Probability of successful CSLR claim
Open	90%	47%

We assume that 90% of open complaints will ultimately result in a Determination made, and 47% of open complaints will receive CSLR compensation (i.e. because the Determination found in the complainant's favour for a non-nil amount, and a claim is made and accepted by CSLR)

The historical experience relating to other Financial Firms suggests that the probability of receiving a non-zero determination is approximately 40%²¹. This likely understates the probability of a non-zero determination for the open complaints as a failed Financial Firm is unable to participate in the resolution and negotiation of complaint outcomes through AFCA's complaint process. The open complaints are also likely to be later in time and more likely to be related to the difficulties that led to failure of the Financial Firm. Therefore, we have assumed 47% of complaints result in a successful claim.

As the CSLR is new, there is not sufficient experience of complainants who had received a non-zero determination in their favour in terms of their propensity to lodge a CSLR claim. Actual experience on the ultimate propensity to claim will take time to emerge and be observed with some credibility.

Future complaints

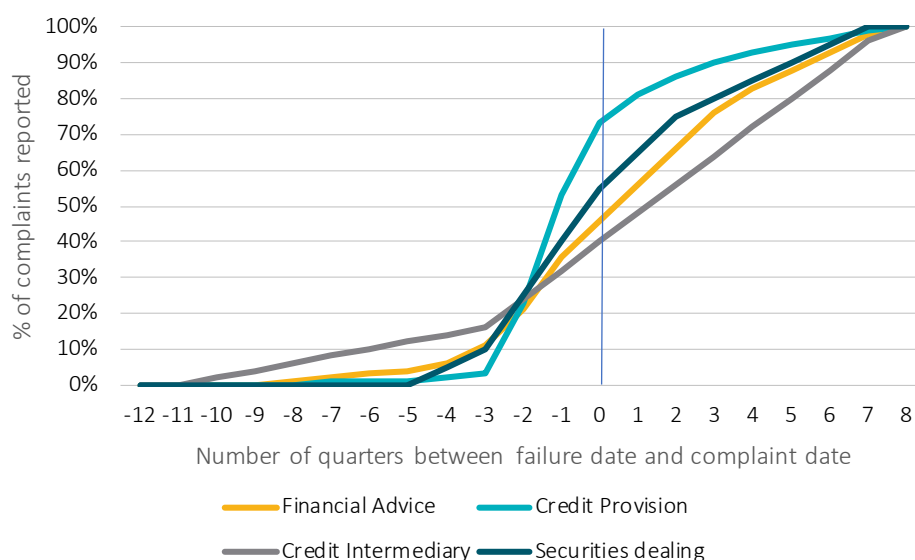
Historical experience shows that complaints that ultimately remain unpaid and become subject to a potential CSLR claim often build up prior to the failure of the Financial Firm and then continue to be lodged after the firm's failure. Therefore, for recently failed firms there is the potential for complaints to be lodged subsequent to the firm failing that could become eligible for a CSLR claim.

Figure 7.2 shows how complaint report dates were distributed around the date of failure²² of the Financial Firm for each sub-sector. Note that we have only considered complaints that were open at the point of failure, or were reported after failure; complaints finalised before the failure date have been excluded.

²¹ Based on analysis of AFCA's complaint history data, for closed complaints relating to in-scope failed Financial Firms other than large financial failures.

²² Failure date was sourced from ASIC's insolvency statistics publications for all Financial Firms that failed between 1 November 2018 and 31 July 2025.

Figure 7.2 – Time between firm failure date and complaint date for complaints open or reported after failure date



At the time of firm failure, around 54% of the relevant complaints had been reported for all sectors. Complaints that emerge after the failure date are typically reported within a year, for which AFCA membership must be retained.

We have applied this distribution of complaints timing to estimate the number of unreported claims that may arise from already failed Financial Firms. For each failed firm, we consider how much time had elapsed between the failure date and the data extraction date, and therefore how many unreported claims are expected to emerge after the data extraction date. Table 7.8 shows our estimate of the unreported complaints in respect of these failed firms (excluding large financial failures).

Table 7.8 – Number of future complaints, by sub-sector

Calendar year of firm failure	Financial Advice			Credit Provision			Credit Intermediation			Securities Dealing		
	No. complaints open at or reported after failure	Reported to date %	Unreported complaints	No. complaints open at or reported after failure	Reported to date %	Unreported complaints	No. complaints open at or reported after failure	Reported to date %	Unreported complaints	No. complaints open at or reported after failure	Reported to date %	Unreported complaints
Prior	122	100%	.0	56	100%	-	12	100%	-	16	100%	.0
2023	63	98%	1.3	0	-	-	0	-	-	31	98%	.5
2024	128	85%	22.0	1	96%	0.0	1	69%	0.4	0	-	.0
2025	88	51%	83.0	0	-	-	0	-	-	6	65%	3.2
Total	401		106.2	57		0.0	13		0.4	53		3.7

We have assumed that there are 110 unreported complaints from other Financial Firms that have already failed.

Table 7.9 shows the expected number of post-CSLR claims that will arise from known and future in-scope complaints related to other Financial Firms that have already failed.

Table 7.9 – Other Financial Firms: AFCA complaints and successful CSLR claims

Other Financial Firms	Number of complaints	Probability of successful claim ³	Number of successful CSLR claims
Open in-scope reported complaints	86	57%	49
Complaints with positive AFCA outcomes that have not yet received CSLR payment ¹	64	71%	46
Discontinued in-scope reported complaints	76	12%	9
In-scope future complaints ²	110	71%	79
Total in-scope complaints	336	54%	183

¹ Excludes complaints outside of AFCA's rules, discontinued or resolved by the financial firm

² For firm failures to July 2025

³ Ultimate probability of a successful claim may differ to the selection due to the mix of discontinued complaints and complaints that have already presented to CSLR

We estimate that, in total, there will be 183 successful CSLR claims in the post-CSLR period in respect of other Financial Firms that have already failed.

7.4.2 Other Financial Firms: Average cost of claims

As outlined in Section 6.3.2, we apply claim development ratios to estimate the likely ultimate claim payment based on the progression of the complaint or claim to-date.

Table 7.10 through to Table 7.12 outline the experience, along with our selections, for the claim development ratios relating to Other Financial Firms.

Table 7.10 shows the ratio of AFCA outcome amounts to AFCA complaint amounts (self-reported by the complainant) for all complaints against known financial firm failures where there is both a complaint amount and an outcome amount.

Table 7.10 – Ratio of AFCA outcome amount over AFCA complaint amount

Sub-sector	No. of complaints	Actual historical average	Assumed for levy estimate	Previous selected
Personal Financial Advice - Non-large financial failure	227	69%	75%	75%
Credit Provision	80	63%	75%	75%
Credit Intermediation	5	44%	75%	75%
Securities Dealing	38	58%	75%	75%
Total	350	66%	n/a	n/a

Table 7.11 shows the ratio of CSLR estimate amount to AFCA outcome amounts for all CSLR claims where there is a known AFCA determination amount and a CSLR estimate amount.

Table 7.11 – Ratio of CSLR estimate amount over AFCA outcome amount

Sub-sector	No. of complaints	Actual historical average	Assumed for levy estimate	Previous selected
Personal Financial Advice - Non-large financial failure	136	106%	103%	103%
Credit Provision	7	71%	103%	103%
Credit Intermediation	7	110%	103%	103%
Securities Dealing	45	100%	103%	103%
Total	195	103%	n/a	n/a

Table 7.12 shows the selections for the third claim development ratio, as outlined in Section 6.2.3. This covers the potential for multiple claim payments to arise from a single AFCA determination where there are multiple related parties to the complaint. Note that this only has an impact on complaints where the outcome amount exceeds \$150,000.

Table 7.12 – Ratio of CSLR payment amount over capped CSLR estimate amount

Sub-sector	No. of complaints	Actual historical average	Assumed for levy estimate	Previous selected
Personal Financial Advice - Non-large financial failure	51	99%	105%	105%
Credit Provision	2	100%	100%	100%
Credit Intermediation	3	100%	100%	100%
Securities Dealing	16	90%	100%	100%
Total	72	97%	n/a	n/a

Given the limited experience to date, a judgemental overlay was required based on our understanding of the AFCA and CSLR processes in selecting assumptions for these claim development ratios.

The average complaint amount for in-scope complaints relating to Financial Firms (excluding large financial failures) and across both pre-CSLR and post-CSLR, is shown in Table 7.13.

Table 7.13 – Other Financial Firms: average AFCA determination and CSLR payment size

Segment	AFCA				CSLR				Selected Average FY2027 Claim Size for future failures
	No. of Complaints (non-nil)	Average Complaint Amount (\$000)	No. of Determinations (non-nil)	Average Determination Amount (\$000)	No. of Open Claims	Average Claim Amount (\$000)	No. of Claims Paid	Average payment amount (\$000)	
Personal Financial Advice	489	100	182	85	12	97	136	81	100
Credit Provision	184	7	11	71	0	n/a	10	34	40
Credit Intermediation	18	108	3	64	2	46	6	103	100
Securities Dealing	82	80	32	51	7	95	35	86	75
Total	773	76	228	80	21	92	187	80	

For this cohort, the average determination amount is \$80,000. Personal Financial Advice stands out with a higher average determination amount of \$85,000, while lower average determination amounts are observed in Credit Intermediation at \$64,000, Securities Dealing at \$51,000 and Credit Provision at \$71,000.

For future in-scope complaints relating to Financial Firms that have already failed (excluding large financial failures), we have assumed an average claim size of \$100,000 for personal financial advice and credit intermediation. For securities dealing, we have selected \$75,000.

For Credit Provision, for which complaints are often smaller in quantum, we have assumed an average claim size of \$40,000. We note that there have been two larger CSLR payments for this sub-sector which has made the observed CSLR payment experience larger than the AFCA complaint experience. Our assumed average claim size is approximately aligned with the average CSLR payment experience for the Credit Provision sub-sector.

Recoveries

For Other Financial Firms, due to the uncertainty in these assumptions for smaller financial failures and the experience of recoveries, we have assumed no recoveries.

7.4.3 Other Financial Firms: Expected Claim Costs

Table 7.14 summarises the expected claim costs for already failed Financial Firms, excluding large financial failures. This includes known²³ and future reported complaints. For the known complaints, we have applied the Average Size ratios as detailed in Table 7.10 to Table 7.12, and for the future reported complaints we have applied the average compensation amounts in Table 7.13.

²³ Known complaints include open complaints and closed complaints that haven't been paid by the financial firm. Closed complaints exclude complaints with nil outcome amounts.

Table 7.14 – Other Financial Firms: summary of expected compensation

Sub-sector	Expected number of AFCA complaints	Expected number of successful CSLR claims	Expected average compensation (\$000)	Expected total compensation (\$000)	Expected FY2027 Levy Period compensation (\$000)
Personal Financial Advice	246	146	107	15,604	7,696
Credit Provision	7	3	49	145	10
Credit Intermediation	0	0	100	32	24
Securities Dealer	56	33	95	3,108	874
Total	309	183	103	18,889	8,604

We estimate that expected CSLR compensation payments, relating to in-scope complaints against Other Financial Firms that have already failed would be approximately \$18.9m, with \$8.6m paid in the FY2027 Levy period.

7.5 Groups (3) and (4): Future firm failures

This section estimates in-scope complaints from Financial Firms that fail after the data extraction date, 31 July 2025, including complaints that are unpaid at the point of failure as well as complaints that arise after failure.

7.5.1 Future firm failures: Expected Claim Costs

There have been 50 insolvencies within in-scope sub-sectors, or an average of around 7 per year. Financial Advice makes up over half of these insolvencies. Financial Advice also has the highest number of complaints per firm that are unpaid or unreported at failure date. For this sub-sector, we have assumed that 4.2 firms will fail on average every year with an average of 34 complaints per firm, consistent with the historical experience. This means we expect 143 in-scope complaints to arise from Financial Advice firms that will fail each year.

We note that over the last year, volumes of complaints in other sub-sectors have been low. We believe this is not reflective of the future environment and have assumed complaints higher than the recent experience. These judgements have been made acknowledging the increasing awareness of CSLR.

For the other sub-sectors, we have assumed the following:

- Credit Providers: we have assumed 1 insolvency per year, with 15 complaints per insolvency.
- Credit Intermediation: we have assumed 1 insolvency per year, with 15 complaints per insolvency.
- Securities Dealer: we have assumed 1 insolvency per year, with 25 complaints per insolvency.

In total, we assume that around 198 in-scope complaints will arise each year from future firm failures, for both reported complaints as well as complaints that emerge after the failure date.

Consistent with complaints arising from other Financial Firms discussed above, we have assumed that:

- 71% of complaints arising from future firm failures will lead to a CSLR claim (see Section 7.4.1)
- Average claim sizes of \$100,000 for Credit Intermediation and Financial Advice (see Section 7.4.2)
- Average claim size of \$75,000 for Securities Dealing (see Section 7.4.2)
- Average claim size of \$40,000 for Credit Provision (see Section 7.4.2)

For the purposes of determining the FY2027 Levy Period estimate, we have projected the expected complaints relating to future firm failures through to June 2027 (complaints raised after this will have CSLR payments in subsequent levy periods). Table 7.15 summarises the modelled claim costs for future firm failures to June 2027

This includes known (i.e. reported but not yet identified as insolvent) and future reported complaints. Note that figures in this table have been rounded.

Table 7.15 – Future firm failures: summary of expected compensation

Sub-sector	Expected number of AFCA complaints ¹	Expected number of successful CSLR claims	Expected average compensation (\$000)	Expected total compensation (\$000)	Expected FY2027 Levy Period compensation (\$000)
Personal Financial Advice	274	195	100	19,501	13,948
Credit Provision	29	20	40	819	391
Credit Intermediation	29	20	100	2,048	977
Securities Dealer	48	34	75	2,561	1,336
Total	379	270	92	24,929	16,652

¹ Complaints arising from failures to 30 June 2027 after 31 July 2025 (includes 23 months of failures)

We estimate that the CSLR compensation relating to future firm failures before June 2027 to be approximately \$24.9m, with \$16.7m paid in the FY2027 levy period.

7.6 Group (5): Out-of-scope complaints relating to already failed firms

We were able to identify failed Financial Firms with open complaints that, while not flagged as in-scope, could be in-scope following investigation.

These complaints were typically related to investments (e.g. managed investment schemes) and could possibly be related to financial advice. For financial firms where we have assessed some chance of receiving CSLR compensation, we have assumed that 25% of reported out-of-scope complaints relating to these already failed firms will subsequently be found to be in scope. We then assume 47.5% would have a positive AFCA determination and lodge a successful CSLR claim. This works out to an allowance of 5 claims.

Table 7.16 summarises the modelled claim costs for out-of-scope known complaints. Note that figures in this table have been rounded and the average compensation amount is based on known complaints with the ratios applied from Table 7.10 to Table 7.12.

Table 7.16 – Out-of-scope known complaints: summary of expected compensation

Sub-sector	Number of open AFCA complaints	Expected number of successful CSLR claims	Expected average compensation (\$000)	Expected total compensation (\$000)	Expected FY2027 Levy Period compensation (\$000)
Personal Financial Advice	251	4	41	145	71
Credit Provision	1	0	2	1	-
Credit Intermediation	-	-	-	-	-
Securities Dealer	39	1	73	90	63
Total	291	5	46	236	134

We estimate that the CSLR claim costs relating to out-of-scope reported complaints on already failed firms to be approximately \$0.2m, with \$0.1m paid in the FY2027 levy period.

7.7 Expected Compensation amount for FY2027 Levy Period

Table 7.17, Table 7.18 and Table 7.19 show the expected total claims cost, net of recoveries, discussed in Sections 7.2 to 7.6 by claim cohort and by sub-sector respectively. Note that the tables only show the expected compensation payments relating to firms that fail by 30 June 2027 (excluding unpaid AFCA fees, CSLR operating costs and ASIC costs).

Table 7.17 – Total expected compensation, net of recoveries for FY2027 Levy Period by claim cohort (\$000)

Claim cohort	FY2027 levy period	Contribution to subsequent levy periods	Total (after FY2026 levy period)
DASS	54,760	56,523	111,283
UGC	23,426	(2,268)	21,159
Brite	8,815	22,044	30,859
Shield and First Guardian ¹	-	TBC	TBC
Group (1) & (2): Other financial failures	8,604	2,215	10,819
Groups (3) & (4): Future firm failure ²	16,652	7,054	23,706
Group (5): Reported out-of-scope, failed firm	134	12	147
Total	112,391	85,581	197,972

¹We have not attempted to estimate the net cost to CSLR arising from Shield and First Guardian. See Section 5 for further detail

²Firms that fail by 30 June 2027

Table 7.18 – Total expected compensation, net of recoveries for FY2027 Levy Period by sub-sector (\$000)

Sub-sector	FY2027 levy period	Contribution to subsequent levy periods	Total (after FY2026 levy period)
Personal Financial Advice - DASS	54,760	56,523	111,283
Personal Financial Advice - UGC	23,426	(2,268)	21,159
Personal Financial Advice - Brite	8,815	22,044	30,859
Personal Financial Advice - Shield and First Guardian ¹	-	TBC	TBC
Personal Financial Advice - Other FF ²	21,714	6,968	28,682
Credit Provision ²	401	375	776
Credit Intermediary ²	1,001	942	1,943
Securities Dealer ²	2,273	997	3,270
Total	112,391	85,581	197,972

¹We have not attempted to estimate the net cost to CSLR arising from Shield and First Guardian. See Section 5.4 for further detail

Table 7.19 – Total expected compensation, net of recoveries for FY2027 Levy Period by claim cohort and sub-sector (\$000)

Sub-sector	Large financial failures	Group (1) & (2): Other financial failures	Groups (3) & (4): Future firm failure ¹	Group (5): Reported out-of-scope, failed firm	Total
Personal Financial Advice - DASS	54,760				54,760
Personal Financial Advice - UGC	23,426				23,426
Personal Financial Advice - Brite	8,815				8,815
Personal Financial Advice - Shield and First Guardian ²	-				-
Personal Financial Advice - Other FF		7,696	13,948	71	21,714
Personal Financial Advice	87,001	7,696	13,948	71	108,715
Credit Provision		10	391	-	401
Credit Intermediation		24	977	-	1,001
Securities Dealer		874	1,336	63	2,273
Total	87,001	8,604	16,652	134	112,391

¹Firms that fail by 30 June 2027

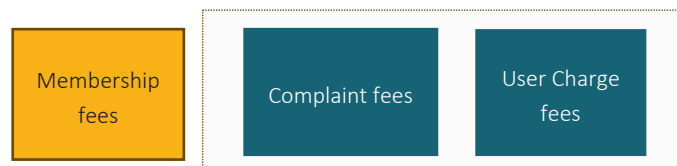
²We have not attempted to estimate the net cost to CSLR arising from Shield and First Guardian. See Section 5 for further detail

These results are combined with the other components of the levy estimate in Section 10.

8 Estimate of Unpaid AFCA Fees

8.1 AFCA's current fee structure

CSLR pays AFCA for unpaid fees that would have been paid by the failed Financial Firms. AFCA fees include Membership fees, Complaint fees and User Charge fees.



For CSLR purposes, unpaid Complaint and User Charge fees are relevant as they will likely be unpaid by the Financial Firms that have in-scope CSLR claims. That is, a failed Financial Firm that is the subject of AFCA Determinations is unlikely to pay its Complaint and User Charge fees.

8.1.1 Complaint fee

Table 8.1 outlines our understanding of the complaint fee²⁴ structure applying to discontinued complaints and Determinations for FY2027.

Table 8.1 – Assumed AFCA complaint fee for FY2027

Complaint Type	FY2026 ex. GST	FY2026 incl. GST	Est FY2027 incl. GST
Determination	9,630	10,593	10,964
Discontinued	2,316	2,548	2,637

We have assumed the FY2027 complaint fees will be the FY2026 fees increased by 3.5%.

Based on our estimates of future Determinations and discontinued complaints, we have estimated that there will be \$11.9m in AFCA Complaint fees payable in the FY2027 Levy Period, \$11.2m of which will be related to Personal Financial Advice.

8.1.2 User Charge

AFCA applies a User Charge on its member firms to help fund its operations. This charge is separate from complaint-related fees and is designed to reflect each member's share of the overall cost of maintaining the AFCA scheme. The User Charge is proportionately allocated based on the number, closure point, and complexity of complaints of each member closed during the financial year, compared with the profile of complaints across all members. The User Charge facilitates a 'user-pays' model, where members contribute to funding in proportion to their use of AFCA's services.

The User Charge is calculated annually and applies only to members who have six or more complaints closed during the financial year.

For the purposes of determining the User Charge, AFCA considers CSLR as a 'member firm'. We understand that AFCA will use CSLR's share of case load for FY2026 to determine the User Charge applicable for FY2027 (and which CSLR pays in the FY2027 Levy Period). As outlined above, AFCA applies a cost recovery model to CSLR and, at the end of FY2027, AFCA has advised that it would review the costs incurred in FY2027 and adjust the

²⁴ <https://www.afca.org.au/members/funding-model/fee-structure> (accessed 6 June 2025)

FY2028 user charge to remain within cost recovery. Nonetheless, we do not have information available to estimate AFCA's costs for CSLR.

Our methodology to derive an estimate of the user charge is based on the expected growth rate in CSLR-eligible closed AFCA Complaints, on the assumption that AFCA will be dealing with similar volumes of total Complaints across the organisation year-on-year.

Formulaically, this can be represented as:

$$User\ Charge\ FY27 = \left(\frac{FY26\ CSLR\ complaints}{FY25\ CSLR\ complaints} \right) \times UserCharge\ FY2026\ (incl\ GST) \times inflation$$

The following parameters have been considered:

- FY26 CSLR complaints: The estimated number of Determinations and discontinued complaints in FY2026 from the Revised Estimate (including AFCA's current expectations of pre-CSLR DASS determinations). This was estimated at **1,299** complaints.
- FY25 CSLR complaints: The actual number of Determinations and discontinued complaints in FY2025 (not including those resolved by financial firms). This was **529** complaints.
- User Charge FY2026: The User Charge applicable in FY2026 was \$4.2m including GST.
- Inflation: We have assumed that there is a 3.5% increase in costs (in line with the inflation rate applied to complaint fees).

For the purposes of the CSLR levy estimate, we allocate the User Charge to pre-CSLR and post-CSLR complaints.

To allocate the User Charge for FY2026 between Pre-CSLR and Post-CSLR complaints, we considered the total Determinations and discontinued complaints across each of the Sub-sectors, separately for pre- and post-CSLR Complaints. Our allocation of the User Charge to the FY2027 Levy Period is summarised in Table 8.2 below.

We highlight that an indicative User Charge for FY2027 is expected to be provided by AFCA when the FY2027 Revised Estimate will be prepared inline when AFCA provides estimates to all member firms. The actual User Charge may be lower or higher than the estimates in Table 8.2, with variables including cost efficiencies realised by AFCA in FY2026. AFCA has advised that it continues to explore opportunities to increase efficiency, including through the use of technology and other operational measures aimed at improving productivity and reducing costs.

Table 8.2 – Estimated User Charge: FY2027 Levy Period

	FY27 Share of AFCA Charges	User Charge (\$'000)
Pre-CSLR	19%	2,923
Post-CSLR	81%	7,941
Total	100%	10,864

8.2 Estimate of Unpaid AFCA fees for the FY2027 Levy Period

This results in an estimate of AFCA unpaid fees in respect of the Initial Estimate of the FY2027 Levy Period of \$20.0m. Table 8.3 shows this estimate across each of the Sub-sectors.

Table 8.3 – Estimated Unpaid AFCA fees for FY2027 Levy Period

Type	Number of non-nil Determinations in FY2027	Number of nil Determinations in FY2027	Number of discontinued complaints in FY2027	Complaint fees from Determinations in FY2027 Levy Period (\$'000)	User charge paid in FY2027 Levy Period (\$'000)	Total AFCA fees for FY2027 Levy Period estimate (\$'000)
DASS personal financial advice ¹	474	-	53	5,330	3,627	8,957
UGC personal financial advice ¹	148	-	16	1,665	1,133	2,798
Brite personal financial advice ¹	60	-	7	675	459	1,135
Other personal financial advice	249	72	6	3,530	2,251	5,781
Credit provision	11	4	0	166	105	271
Credit Intermediation	11	4	-	160	101	261
Securities dealing	29	8	1	414	266	680
Total	982	87	83	11,943	7,941	19,884
Total - Including Revised Estimate for Securities Dealing						20,004

¹ All DASS, UGC and Brite complaints relate to personal financial advice

The estimated increase in AFCA unpaid fees for the FY2027 Levy Period correlates with increases in AFCA's Complaint and User Charge fees. These increases correspond with AFCA's need to significantly expand its Investments and Advice team (the specialist workforce responsible for investigating complaints involving insolvent Financial Firms). This expansion has been necessary in response to the rise in firm failures and, consequently, a greater volume of complex complaints requiring investigation by AFCA as observed in this Report.

9 Other considerations

9.1 Investment income

CSLR earns investment income on funds it holds. The funds held at a point in time reflect the difference in the levies it has received, less the amounts it has paid out for compensation, unpaid AFCA fees, ASIC costs and CSLR's operating costs.

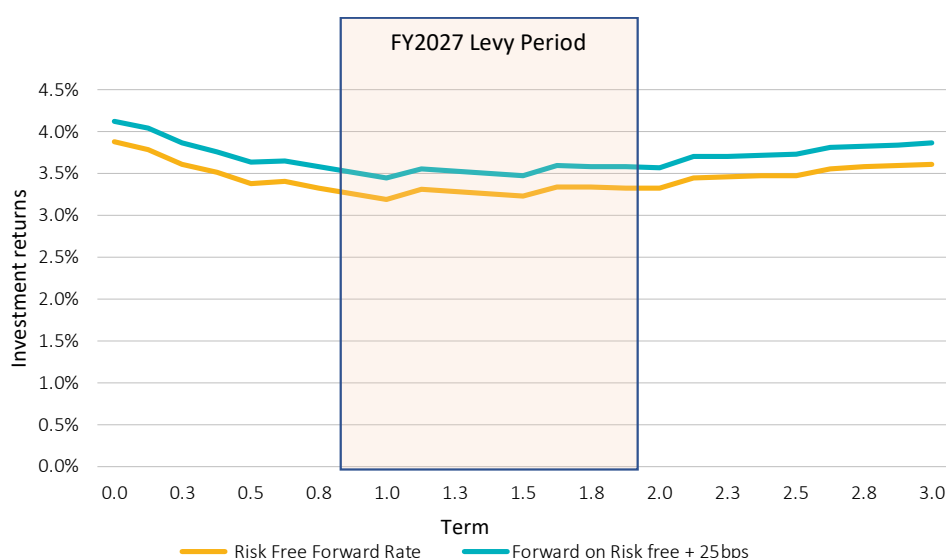
The estimated investment income is determined considering when funds are expected to be received and invested by CSLR, until they are paid to Claimants or otherwise expensed. We have made several assumptions about the receipt and expenditure of levy monies for the FY2027 Levy Period, specifically:

- Annual Levy funds collected for the FY2027 Levy Period are assumed to be received before the start of the FY2027 Levy Period.²⁵
- CSLR expenses (exclusive of unpaid AFCA fees) are incurred uniformly through the levy period.
- ASIC costs are payable following invoice from ASIC.

In addition, we assume that the receipt of any Special and/or Further Levy would not occur until late in FY2027 at the earliest, and as such, have assumed no interest income on such levy amounts.

CSLR invests monies conservatively. Figure 9.1 outlines the investment return assumption for CSLR fund balances during the FY2027 Levy Period.

Figure 9.1 – Assumed risk-free and investment return (months from 1 August 2025 to 30 June 2027)



Current forward rates imply an average risk-free return over the FY2027 Levy Period of around 3.3%.

We have assumed that the levy funds will continue to be held in a cash management account and that such account would receive interest at an 80-bps discount to the risk-free rate. We have therefore assumed a cash management investment return of 2.5% p.a. on the levy funds.

²⁵ The actual amount collected by ASIC in respect of the financial advice Sub-sector is likely to be less than \$20m, based on previous levy period collection rates.

We have further assumed that the \$5m of accumulated capital contributions (i.e. reserve) will be invested in term deposits at a 30-bps margin over the risk-free rate. We have therefore assumed a term deposit investment return of 3.6% p.a. on the capital reserve.

The short time between receipt of levy funds and payment of claims, as well as other outgoings, means that investment income on the FY2027 levy amounts is expected to be limited. For the Initial Estimate for FY2027, investment income was estimated to be \$0.360m. The allocation of investment income by Sub-sector is shown in Table 9.1.

Table 9.1 – Investment income by subsector (\$000)

Type	Investment income
Personal Financial Advice	(114)
Credit Provision	(70)
Credit Intermediation	(77)
Securities Dealing	(99)
Total	(360)

9.2 Revised Estimate Excess for Securities Dealing

The FY2026 Levy Period Revised Estimate for the Securities Dealing sub-sector was \$4.7m, \$2.4m higher than the Initial Estimate of \$2.3m.

CSLR determined it would not seek a Further Levy for the FY2026 Levy Period for this \$2.4m shortfall.

An additional \$2.1m has been included in the Initial Estimate for the FY2027 Levy Period for this estimated shortfall. This is less than the \$2.4m assessed shortfall because the \$0.3m of extra ASIC costs to issue a Further Levy (assumed in the Further Levy figures) is not required.

9.3 Other levy components

The legislation prescribes several additional components to be provided for by levies. We outlined these and discussed the allocation approach, by year and Sub-sector, in Appendix D.

Table 9.2 shows these additional levy components for the FY2027 Levy Period by Sub-sector.

Table 9.2 – Summary of additional levy components FY2027 Levy Period

Type	CSLR operating costs	ASIC costs	Sum of other levy components
Personal financial advice	2,660	525	3,185
Credit provision	1,313	225	1,538
Credit intermediation	1,320	225	1,545
Securities dealing	1,337	225	1,562
Total	6,630	1,200	7,830
Total - Including Revised Estimate for Securities Dealing	6,610	1,200	7,810

The CSLR costs for the Personal Financial Advice Sub-sector are higher than other Sub-sectors to reflect the increased administrative expenses arising from the Sub-sector. Additionally, the higher ASIC costs for Personal Financial Advice reflect the costs incurred in collecting a Special Levy.

CSLR will be processing pre-CSLR and post-CSLR claims concurrently. All CSLR operating costs incurred in each financial year are to be included in the relevant levy estimate for that period. This means that, for the FY2027 Levy Period, a significant portion of the CSLR operating costs will relate to time spent on pre-CSLR claims.

9.4 GST and other tax considerations

The fees for services rendered by AFCA in considering Complaints against Financial Firms attract GST. For the estimates of unpaid AFCA fees in this report, we have included GST. This is consistent with previous levy estimates.

No other allowances have been made for GST within the FY2027 Levy Period estimate. CSLR is income tax exempt and is not required to make an allowance for income tax.

10 Recommended Initial Estimate for FY2027 Levy Period

Table 10.1 outlines our Initial Estimate for the FY2027 Levy Period.

Table 10.1 – Initial Estimate for the FY2027 Levy Period

Type	No. AFCA complaints to be finalised	No. claims to be paid	FY2027 levy period estimate							Expected payments by CSLR in FY2027 Levy Period (\$000)	Excess from FY2025 (2nd) Levy Period (\$000)	CSLR Levy Estimate (\$000)
			Gross claim Payments (\$000)	AFCA Fees (\$000)	Recoveries (\$000)	Capital Recovery (\$000)	CSLR Operating Costs (\$000)	ASIC Costs (\$000)	Investment income (\$000)			
Personal Financial Advice - DASS	474	386	54,760	8,957	-	-	-	-	-	-	-	-
Personal Financial Advice - UGC	148	178	24,665	2,798	(1,239)	-	-	-	-	-	-	-
Personal Financial Advice - Brite	60	62	8,815	1,135	-	-	-	-	-	-	-	-
Personal Financial Advice - Other	321	215	21,714	5,781	-	-	-	-	-	-	-	-
Personal Financial Advice	1,002	841	109,954	18,671	(1,239)	-	2,660	525	(114)	130,457	(3,606)	126,851
Credit Provision	15	10	401	271	-	-	1,313	225	(70)	2,140	(137)	2,003
Credit Intermediation	15	10	1,001	261	-	-	1,320	225	(77)	2,729	(573)	2,156
Securities Dealing - FY2027	37	28	2,273	680	-	-	1,337	225	(99)	4,416	(82)	4,334
Securities Dealing - Revised Estimate shortfall from FY2026	4	23	2,068	122	(4)	-	(20)	-	(16)	2,150	-	2,150
Securities Dealing	41	51	4,341	802	(4)	-	1,317	225	(115)	6,566	(82)	6,484
Total	1,073	912	115,698	20,004	(1,243)	-	6,610	1,200	(376)	141,893	(4,399)	137,494

Table 10.2 shows the expected timing of future payments for claims that can be paid, noting that the actual payment will depend on when levy funds are available. This is shown by the source of CSLR claim.

Table 10.2 – Future claim payments (net of recoveries)

Type	FY2027 Payments (\$000)	Remaining after FY2027 (\$000)
Financial Advice - DASS	54,760	56,523
Financial Advice - UGC	23,426	(2,268)
Financial Advice - Brite	8,815	22,044
Financial Advice - Shield and First Guardian ¹	-	TBC
Financial Advice - Other ²	21,714	6,968
Financial Advice	108,715	83,267
Credit Provision ²	401	375
Credit Intermediation ²	1,001	942
Securities Dealing ^{2 3}	4,338	997
Total	114,456	85,581

¹ Based on complaints known to date, Shield and First Guardian remaining is not able to be estimated at this point. Refer to Section 5.4 for more details on possible outcomes

² Includes the estimated net cost to the CSLR of firms that fail by 30 June 2027

³ Includes the Revised Estimate shortfall from FY2026

The amounts shown as “Remaining after FY2027” are estimated based on the view of ultimate outcomes for the large firm failures that we know about, less the amounts that CSLR has paid and that we estimate will pay by the end of FY2027.

11 Implications of uncertainty

This section of the report expands on the key elements of uncertainty in estimating the FY2027 Levy Period amount. We also discuss the implications of uncertainty on the Estimate amounts.

11.1 Context

CSLR has been in operation for just over a year. The experience to-date remains minimal for most metrics and there are no reasonably comparable alternative arrangements that could be investigated for significant, relevant learnings. For these reasons, the actuarial assumptions continue to be more weighted to reasoned judgement than to analysis of relevant data.

AFCA has a specific role which is related but independent to CSLR. The information provided to us by AFCA continues to be a key driver of the estimation of CSLR claim costs in a period.

We acknowledge that the legislation governing the CSLR is complex, contains elements that are yet to be fully tested, and is currently under review by Treasury. While our current interpretations are based on a considered understanding of the legislation as it stands, and we believe the likelihood of materially different outcomes is low, there remains the possibility that alternative interpretations could emerge. Should the legislation be amended as a result of the current review, this could lead to different outcomes than currently anticipated.

11.2 Range of CSLR claim outcomes

In this section we consider some alternative plausible scenarios that could lead to outcome amounts that are greater or less than the estimate we have determined.

As Personal Financial Advice is the only sub-sector for which our Initial Estimate calculations indicate a Special Levy may be considered, we have shown below scenarios for only this sub-sector.

11.2.1 Personal Financial Advice

The Initial Estimate for the FY2027 Levy Period for Personal Financial Advice, prior to reduction for the FY2025 Levy Period excess, is \$130.5m. The outcomes for the large financial failures remain the key components of the uncertainty in respect of this sub-sector. More specifically, the outcomes depend on:

- The speed at which AFCA processes non-Shield and First Guardian complaints throughout FY2026 and FY2027 and hence the number of claims eligible to be paid by CSLR in the FY2027 Levy Period.
- The proportion of DASS and UGC complaints that discontinue.
- The extent to which complaints related to Brite become a significant cost during the FY2027 Levy Period. This includes the impact of claim costs as well as AFCA fee reimbursements during the year. These amounts depend on a number of factors that are highly uncertain at the time of this report, including:
 - > The ultimate number of complaints that will be made against Brite prior to its AFCA membership being cancelled.
 - > The proportion of Brite complaints that are 'in-scope' for payment by CSLR.
 - > How quickly AFCA determines Brite complaints.
 - > The timing and amount of any returns through the liquidation process to eligible claimants.
- The size and timing of GCPF deductions in respect of UGC AFCA determinations and its impact on the FY2027 Levy Period.

The table below shows a range of plausible estimates using various assumptions for the above components.

Table 11.1 – Scenarios for Personal Financial Advice sub-sector (Initial Estimate for FY2027 Levy Period) - excluding the impact of FY2025 Levy Period excess amounts

Scenario narrative	Base scenario - assumption	Low scenario - assumption and impact	High scenario - assumption and impact
AFCA processing speed of post-CSLR (non-Shield and First Guardian)	Planned processing volumes \$130.5m total	Half of planned volumes \$70.0m total (i.e. reduction of \$60.5m)	Double planned volumes \$251.4m total (i.e. increase of \$120.9m)
Earlier completion of pre-CSLR complaints by AFCA	Pre-CSLR completed mid-FY2027 \$130.5m total	n/a	Pre-CSLR completed during FY2026 \$191.5m total (i.e. increase of \$61.0m)
DASS and UGC scenario— (proportion of discontinued complaints, including pre-CSLR DASS)	15% discontinuance rate inline with AFCA's forecasts \$130.5m total	20% discontinuance rate \$119.1m total (i.e. reduction of \$11.4m)	5% discontinuance rate \$136.2m total (i.e. increase of \$5.8m)
Brite in-scope scenario — (number of AFCA Determinations, CSLR in-scope or not, and number of claims paid)	60 Determinations and 62 claims paid \$130.5m total	30 Determinations and 0 claims paid The Determinations indicate that Brite complaints will be out-of-scope for CSLR \$121.3m total (i.e. reduction of \$9.1m)	140 complaints finalised and 120 claims paid Assuming Determinations continue to be made on in-scope complaints on top of existing resourcing to address other personal financial advice complaints. \$139.7m total (i.e. increase of \$9.2m)
UGC recovery scenario — (Recoveries in 2026/27)	\$10m Interim Dividend received in FY2027, assuming a \$1.2m recovery to CSLR \$130.5m total	Liquidation completed in FY2027 with \$25m received, assuming a \$6.7m recovery to CSLR \$128.1m total (i.e. reduction of \$2.3m)	No recoveries received in FY2027 \$131.7m total (i.e. increase of \$1.2m)

11.3 Implications of uncertainty around liquidity and timing of levy funding

The timing of receipt of levy monies is complicated by numerous factors, particularly the parliamentary processes that are required to seek Special Levy amounts. The expectations for the receipt of future levy monies at the time of this report is:

- FY2027 Levy Period amounts in respect of the Personal Financial Advice sub-sector, up to the \$20m sub-sector cap, would be received before the start of the FY2027 Levy Period (i.e. before 1 July 2026).

- A Special Levy, if one is sought, would be received no earlier than in the last quarter of the FY2027 Levy Period (i.e. April to June 2027), with the potential for its receipt in FY2028.

Based on these forecast timeframes for receipt of levy monies and the expectations of FY2027 Levy Period outflows outlined in Section 10, we expect that CSLR will need to significantly delay payment of claims and AFCA fees for the Personal Financial Advice sub-sector during FY2027.

As pre-CSLR funds are anticipated to be materially exhausted by December 2026, it is unlikely that significant amounts would be available for use to pay claims over the FY2027 Levy Period. Pre-CSLR funds may be exhausted earlier, subject to AFCA determination proceeding speeds.

We have assessed the likely claims and outgoings for the CSLR on the assumption they will not be affected by any liquidity constraints from the recommended levy amounts not being available to the CSLR. To do so would not suit the purpose of the Initial Estimate in informing the need for, and the required amount of, any Special Levy.

11.4 Severe events

The occurrence of severe events, such as a significant economic downturn that leads to large numbers of Financial Firm failures, could increase CSLR payments beyond our estimates in this Report. No allowance is made for future severe events, noting the high level of uncertainty around the occurrence of such events in any one levy period, and the Scheme being designed to fund severe events after (not before) they have occurred. The Scheme design allows flexibility for CSLR to respond in the appropriate manner to unexpectedly large costs through future levies – either Further Levy, Special Levy, or a future levy period(s) – once the relevant events are known.

12 Reliance and limitations

12.1 Use of this Report

This report will be made publicly available on CSLR's website. We have prepared this report for CSLR for the purposes outlined in Section 2.2 of this report. It is not necessarily suitable for any other purpose. Third parties should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Finity to the third party.

12.2 Reliance and limitations

We have relied on the information provided to us as detailed in Appendix B of this report. We have checked this information for reasonableness only and consider it to be appropriate for the scope of this review.

There are many limitations on the quality, completeness and relevance of the underlying data sources. The results, however, should be reasonable in order to inform decisions.

12.3 Uncertainties

We have formed our views based on the current environment and what we know today. If future circumstances change, it is possible that our findings may not prove to be correct.

It is not possible to predict the financial impacts on the CSLR with certainty. We have adopted assumptions that we believe are reasonable considering the scope and nature of the assignment.

It would be reasonable to expect that the eventual outcomes, after a few years have elapsed and the outcome of the complaints become known, to be materially higher or lower than our estimates. This level of uncertainty is unavoidable for any estimates of this nature.

Appendices

A Key assumptions with respect to the FY2027 Levy Period

Processing volumes

Segment	AFCA determinations	CSLR Payments
Post-CSLR: DASS	474	386
Post-CSLR: UGC	148	178
Post-CSLR: Brite	60	62
Post-CSLR: Shield and First Guardian	0	0
Post-CSLR: Other FA	321	215
Post-CSLR: Other	67	48
Post-CSLR Total	1,069	889

Average claim size assumptions

Ratio of AFCA outcome amount on AFCA complaint amount

Type	FY27 Initial Estimate
Personal Financial Advice	75%
Credit Provision	75%
Credit Intermediation	75%
Securities Dealing	75%

Ratio of CSLR estimate amount on AFCA determination amount

Type	FY27 Initial Estimate
Personal Financial Advice	103%
Credit Provision	103%
Credit Intermediation	103%
Securities Dealing	103%

Ratio of CSLR payment amount to capped CSLR estimate amount

Type	FY27 Initial Estimate
Personal Financial Advice	105%
Credit Provision	100%
Credit Intermediation	100%
Securities Dealing	100%

Average Claim Size - Known and future complaints (Large Financial Failures)

Segment	FY27 Initial Estimate (\$000)
Personal Financial Advice - Shield and First Guardian	100
Personal Financial Advice - Brite	143
Personal Financial Advice - UGC	139
Personal Financial Advice - DASS	142

Average Claim Size - Future complaints

Segment	FY27 Initial Estimate (\$000)
Personal Financial Advice	100
Credit Provision	40
Credit Intermediation	100
Securities Dealing	75

AFCA Complaint Fees on FY26 complaints

Type	FY27 Initial Estimate
Discontinued complaints	\$ 2,637
All other complaints	\$ 10,964

FY2027 Recoveries (\$000)

Type	FY27 Initial Estimate
UGC	1,239
DASS	-
Other	-

Other Assumptions**Prob. of successful CSLR claim (for open complaints)**

Type	FY27 Initial Estimate
UGC	88%
DASS	86%
Other	47%

Prob. of Discontinued (for open complaints)

Type	FY27 Initial Estimate
UGC	10%
DASS	10%
Other	10%

Investment income

Type	FY27 Initial Estimate
Investment income on term deposits	3.60%
Investment income on cash management account	2.50%

User Charge Total

	FY27 Initial Estimate
User Charge Total	\$ 7,940,940

B Data provided for our review

We received the following information to assist with our review. We also conducted regular discussions with CSLR management to assist with the preparation of this report.

- A database of all complaints received by AFCA (and its predecessors) since 2013
- CSLR claim and payment data since the beginning of operation
- Discussions and various documents explaining current AFCA processes and evolving plans for processing the post-CSLR complaints
- CSLR estimated operating costs for FY2027
- Estimated ASIC costs to manage industry levies for the FY2027 Levy Period and a potential Special Levy
- FY2025 AFCA unpaid fee amounts for Determinations and discontinued complaints notified to date by AFCA
- Responses to several legal questions about interpretation of CSLR legislation
- DASS information sourced from the Administrators' website and discussions with CSLR
- Publicly available information related to UGC, Brite, Shield, First Guardian and Australian Fiduciaries
- Searches on ASIC's website on Financial Firms and their trading status
- Publicly available information relating to Other Financial Firms to assist with understanding their current trading status and additional information as to the nature, or likely result, of complaints made against the Financial Firms.

B.1 Validation of data

There are no independent sources to validate or reconcile the AFCA complaints data. The data maintained and reporting prepared by AFCA is designed to meet AFCA's role and needs in resolving disputes.

AFCA's database contains only the current version of the relevant information on the complaint. AFCA was unable to provide us with a dataset showing the past changes in details of each complaint. AFCA's validation of coding of individual fields is fit-for-purpose but does not require specific validation of some of the fields relevant to CSLR, such as the nature of financial service, outcome amount or claimed loss. Several items (especially for paused complaints) are limited to what has been self-reported by the complainant when the complaint was made with AFCA.

We have checked the CSLR claims and payment data against internal CSLR monitoring reports to ensure we have interpreted the data in a consistent manner.

B.2 Reasonableness checks

Where possible, we applied reasonableness checks to various summaries and data items, based on consistency of different sources, general knowledge of the firms and their businesses, and web searches.

Possible discrepancies were discussed with CSLR management and AFCA.

The reasonableness checks focussed on:

- Counts of complaints and Financial Firms meeting different criteria of complaint status, cause of complaint and financial status of the firm (as known to AFCA)

- The average amount of loss reported by the complainant
- The completeness of the outcome amounts and the average financial outcome amount by sector and advice type, including comparison with the loss reported by the complainant
- Cross checking the claims reported to CSLR with the information provided in the AFCA complaints data, to ensure consistency across the two data sources
- Comparing AFCA fee extracts against the AFCA complaint file.

C Initial Estimate of FY2027 Levy Period cost by sub-sector

The estimates in this report are the result of actuarial projections using the methodology discussed throughout the report. We have not rounded the outcomes of our analysis. Amounts shown in the body of the report have been shown as rounded figures for simplicity.

Table C.1 outlines the component parts of the levy estimates for the FY2027 Levy Period, split by sub-sector and to the nearest cent. The amounts below are shown split according to parliamentary instrument specifications.

Table C.1 – Recommended FY2027 Levy Period amount – Initial Estimate

Act references	Description	Sub-sectors				Total
		Credit intermediaries	Credit providers	Licensed personal advice	Securities dealers	
Paragraph 9(1)(a)	Gross claim Payments	\$1,001,028.25	\$401,341.45	\$109,954,391.44	\$4,341,452.02	\$115,698,213.16
	Recoveries	\$0.00	\$0.00	-\$1,238,948.37	-\$3,735.44	-\$1,242,683.81
	Compensation claims	\$1,001,028.25	\$401,341.45	\$108,715,443.07	\$4,337,716.58	\$114,455,529.35
Paragraph 9(1)(b)(i)	Afca unpaid fees	\$260,640.61	\$270,802.55	\$18,670,629.74	\$801,781.88	\$20,003,854.78
Paragraph 9(1)(b)(ii)	CSLR's administrative costs	\$1,319,761.72	\$1,313,129.64	\$2,660,115.79	\$1,316,955.58	\$6,609,962.73
	Investment income	-\$77,267.88	-\$69,815.92	-\$113,907.46	-\$114,992.25	-\$375,983.51
	CSLR's administrative costs	\$1,242,493.84	\$1,243,313.72	\$2,546,208.33	\$1,201,963.33	\$6,233,979.22
Paragraph 9(1)(b)(iii)	ASIC's administrative costs	\$225,000.00	\$225,000.00	\$525,000.00	\$225,000.00	\$1,200,000.00
Paragraph 9(1)(b)(v)	Capital reserve restoration	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Paragraph 9(2)(a)	Excess from FY2025	-\$573,244.37	-\$137,026.75	-\$3,606,235.67	-\$82,369.71	-\$4,398,876.50
		\$2,155,918.33	\$2,003,430.97	\$126,851,045.47	\$6,484,092.08	\$137,494,486.85

D Levy components included in different Levy Periods

The Levy Collection Act specifically identifies the components to be included in each levy period, which is summarised in the table below. The FY2027 Levy Period components have been highlighted in blue.

Table D.1 – Components of each Levy

Levy	Compensation payments (1)	AFCA fees (2)	ASIC levy administration (3)	CSLR operating costs (4)	Capital reserve (5)	Adjustment for prior year shortfall or excess ¹ (6)
Pre-CSLR Levy	For pre-CSLR complaints only	For pre-CSLR complaints only	No	No	No	No
FY2024 (1 st Levy Period)	Yes	Yes	No	Yes	\$1.67m capital contribution	No
FY2025 (2 nd Levy Period)	Yes	Yes	Yes	Yes	\$1.67m capital contribution	Not applied
FY2026 (3 rd Levy Period)	Yes	Yes	Yes	Yes	\$1.67m capital contribution	Adjustment, in respect of the 1 st Levy Period
FY2027 and thereafter	Yes	Yes	Yes	Yes	Capital recovery, if required	Yes ¹

¹Including adjustments relating to the pre-CSLR balance, if feasible

E Large financial failures

E.1 Dixon Advisory and Superannuation Services Limited

E.1.1 About DASS²⁶

DASS held an AFSL and operated a financial advice business focused on providing financial advice, investment advice, portfolio management and superannuation services to retail clients. A substantial amount of the business of DASS was in relation to Self-Managed Superannuation Funds (SMSF).

DASS is a wholly owned subsidiary of E&P Financial Group (formerly Evans Dixon).

DASS has faced legal actions arising from the provision of financial services to clients, in particular people who were advised to invest in the US Masters Residential Property Fund (URF) and URF-related products, which were issued and operated by related companies to DASS. These included a proceeding issued by ASIC in the Federal Court which resulted in orders for DASS to pay a \$7.2 million penalty and \$1 million towards ASIC's costs.

On 19 January 2022, DASS was placed into voluntary administration, with the appointment of the Administrators – Stephen Longley and Craig Crosbie from PwC.

DASS operated under an AFSL until 8 April 2022 when it was suspended by ASIC. In May 2022, the Administrators requested that ASIC cancel the AFSL. ASIC cancelled DASS' AFSL, effective 5 April 2023.

In December 2022, DASS creditors approved the Deed of Company Arrangement (DOCA) proposed by E&P Financial Group to pay \$17.7m to DASS, less a settlement adjustment for expenses incurred by E&P Operations during the administration period. In November 2023 the Administrators announced that a settlement agreement had been made by the parties in respect of an outstanding class action, allowing for the DOCA to be finalised.

Subsequently on 30 June 2024, DASS's AFCA membership expired and, consequently, no further AFCA complaints could be lodged in respect of DASS from that date.

In August 2024, the Administrators issued their Notice of Intention to Declare a Dividend for Former Client Creditors and other non-client creditors. A final dividend of 7.96 cents was notified to admitted creditors on 24 April 2025. CSLR has commenced making DASS compensation payments.

E.1.2 Losses on URF Equities for DASS clients

DASS and/or related companies established several investment products that clients invested in, most notably the US Masters Residential Property Fund (URF) that was established in 2011²⁷, with the URF Equities (ASX:URF)²⁸ and URF CPUs (ASX:URFPA)²⁹ being listed on the ASX in July 2012 and December 2017, respectively. The stated purpose of the URF was to provide investors with exposure to a diversified portfolio of US-based residential property assets, with the potential for long-term returns through a combination of capital growth and net rental income.

²⁶ See ASIC Media Release of 4 August 2023, 'ASIC sues Dixon Advisory & Superannuation Services Pty Limited Director'

²⁷ US Masters Residential Property Fund includes the URF Equities, URF CPUs and URF Notes. The URF is one of the Related Party Investment Products.

²⁸ The equity securities in the ASX listed URF entity (ASX:URF) that listed on the ASX on 23 July 2012.

²⁹ The URF Convertible Step-Up Preference Units (ASX:URFPA) that listed on the ASX in December 2017. The URF CPUs are an equitable interest in the URF, but on which unit holders may receive a priority distribution at a set rate.

The Administrators understood that following the establishment of the URF, DASS advised clients to invest in the fund. At the same time, other related entities were paid significant fees from the URF. This included, for example, amounts paid for managing the URF's assets and for renovating the properties owned by URF. This created a perceived conflict of interest for DASS.

As the value of the URF Equities declined from a peak of \$2.33 per share in September 2015 to \$0.185 in March 2021, the URF's performance, combined with concerns about the potential conflict of interest issues, resulted in various complaints being made to AFCA against DASS.

E.1.3 AFCA complaints relating to DASS

The following summarises the history of AFCA complaints, relating predominantly to the URF securities bought by DASS clients³⁰:

- The first complaints made to AFCA in relation to the URF occurred in 2018.
- In the period from June 2018 to the Appointment Date of the Administrators, 11 complaints lodged by DASS clients with AFCA were settled and paid by DASS, and a further five complaints were settled in principle, but not paid. In all of these cases, an agreed outcome between DASS and the relevant client was negotiated.
- At the Appointment Date of the Administrators, there were 76 open complaints against DASS. DASS estimated its liability in respect of those 76 complaints to be up to \$18.5m (under the AFCA "whole of portfolio loss" methodology) in a board memorandum prepared by DASS director, Mr Ryan, on 18 January 2022 for consideration in advance of placing DASS into administration.
- At a meeting held between the Administrators and AFCA representatives on 25 January 2022, AFCA informed the Administrators that it had paused the processing of complaints against DASS, in line with AFCA's policy of pausing complaints against an insolvent company.
- On 3 August 2022, ASIC issued a media release and correspondence to former clients of DASS recommending they lodge a complaint with AFCA if they believed they had suffered a loss as a result of the misconduct of DASS and/or their former DASS financial adviser in providing financial services.
- By 7 September 2022 (the end date of the pre-CSLR period), complaints lodged with AFCA numbered 1,638 and further complaints have been lodged after that date.
- By 30 June 2024, when DASS's AFCA membership was cancelled, there were a total of 2,798 complaints. No further complaints can be made once a financial firm's AFCA membership has ceased. There was a merging exercise undertaken by AFCA in October 2024 which has identified some duplicate complaints which led to a corrected total number of unique complaints of 2,746.

E.2 Shield Master Fund and First Guardian Master Fund

For the purpose of quantifying the ultimate CSLR compensation cost scenarios attributable to the failures of Shield and First Guardian compensation, we have assumed an average claim size per Determination of \$99,750. Our approach to estimating average claim size for Shield and First Guardian is summarised as follows:

- Assume an average initial investment of \$80,000 was made in 2020 (Shield was established in 2019 and First Guardian was established in 2021). We have assumed a distribution of smaller and larger initial investments around the average.

³⁰ In some instances, this includes other Related Party Investment Products.

- We assume that, as part of its overall assessment of loss, AFCA will assess the ‘direct loss’ for a complainant on a counterfactual basis, i.e. the complainant’s equivalent investment value had the breach not occurred and appropriate advice been provided. To estimate this component of the overall loss, we assume Counterfactual Investment returns are based on a balanced investment portfolio.
- The average estimated current Counterfactual Investment would be \$112,000. We consider an average CSLR compensation amount of around \$95,000 to be appropriate at this early stage (before any return of funds from liquidation or other remediation activities).

We have assumed a gross average claim size of \$95,000 for each Shield and First Guardian related claim. We assume that 5% of Determinations will result in multiple CSLR payments, and as such the average claim size per Determination is assumed to be \$99,750.

Recoveries from the windup of Shield and First Guardian are expected, but we have assumed this will be received after the FY2027 Levy Period. The liquidator of First Guardian has observed that while some dividend is expected, this will be well below the invested funds.

Table E.2 shows our assumed distribution of the balance arising from Shield and First Guardian investments with counterfactual investment returns.

Table E.2 – Distribution of claim sizes – Shield & First Guardian

Decile	Original investment value	Estimated Counterfactual Investment value	Gross CSLR payment
0-10%	15	21	21
11-20%	28	39	39
21-30%	43	60	60
31-40%	48	67	67
41-50%	70	98	98
51-60%	74	104	104
61-70%	90	126	126
71-80%	104	146	143
81-90%	139	194	150
91-100%	197	276	150

