Initial Estimate for FY2028

Compensation Scheme of Last Resort Limited



November 2026

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11 November 2026

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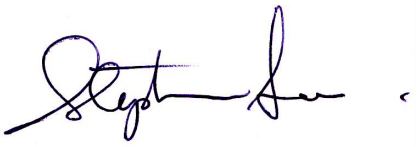
Dear Directors

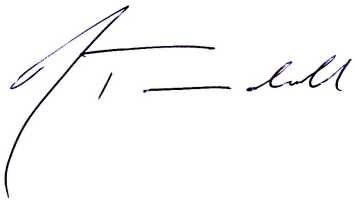
Initial Estimate for FY2028

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 2028 financial year Levy Period (the '5th Levy Period').

We look forward to discussing its contents with you.

Yours sincerely





Stephen Lee
Fellow of the Institute of Actuaries of Australia

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1 Executive Summary

1.1 Background and scope to this Report

The 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 eligible claimants who hold an unpaid Determination issued by the Australian Financial Complaints Authority (AFCA). The CSLR is also required to meet outstanding AFCA fees and other associated administrative 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 FY2028.

Under section 17(2)(a) of the *Financial Services Compensation Scheme of Last Resort Levy Act 2023,* ASIC is only able to administer an Annual Levy up to the Initial Estimate, subject to a $20m cap for each relevant sub-sector. Any amounts exceeding this cap may only be levied following a determination made under 1069H of the *Corporations Act 2001* and the imposition of a Special Levy. 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 Recommended Initial Estimate for FY2028

The Initial Estimate for the FY2028 Levy Period reflects our assessment of the expected compensation payments and associated costs to be borne by CSLR during the period from 1 July 2027 to 30 June 2028. Finity estimates the total required amount for the FY2028 Levy Period to be $215.1m, as set out in Table 1.1.

Table 1.1 – Initial Estimate for the FY2028 Levy Period

			FY2028 levy period estimate									
Subsector/Financial Firm	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 FY2028 Levy Period ($000)	Excess from FY2026 (3rd) Levy Period ($000)	CSLR Levy Estimate ($000)
Personal Financial Advice: DASS	-	7	989	-	-							
Personal Financial Advice: UGC (GCPF)	173	244	33,764	2,362	-							
Personal Financial Advice: Brite	-	5	545	-	-							
Personal Financial Advice: APT Strategy	240	220	33,048	3,282	-							
Personal Financial Advice: Shield & First Guardian	1,193	1,089	85,501	16,085	-							
Personal Financial Advice: Other	205	120	13,255	2,747	-							
Personal Financial Advice	1,811	1,685	167,102	24,477	-	-	2,894	684	(344)	194,812	(5)	194,808
Credit Provision: Walker Stores	48	48	239	642	-							
Credit Provision: Other	17	11	433	227	-							
Credit Provision	65	59	672	869	-	-	1,403	334	(114)	3,165	(1,236)	1,929
Credit Intermediation	15	11	1,097	200	-	-	1,380	334	(109)	2,901	(1,315)	1,586
Securities Dealing: Capital Guard	40	66	9,962	524	-							
Securities Dealing: Remi	12	21	2,980	156	-							
Securities Dealing: Other	12	5	344	168	-							
Securities Dealing	64	92	13,286	847	-	-	1,420	334	(275)	15,613	1,168	16,781
Total	**1,955**	**1,847**	**182,157**	**26,393**	**-**	**-**	**7,097**	**1,686**	**(842)**	**216,491**	**(1,388)**	**215,104**

In respect of the Personal Financial Advice sub-sector, Finity estimates the total required for the FY2028 Levy Period is $194.8m, which is $174.8m over the $20m sub-sector cap.

The Securities Dealing sub-sector required amount is estimated to be $16.8m. This is higher than previous levy estimates for this sub-sector, but remains below the $20m sub-sector cap.

The key drivers of the levy estimate for the Personal Financial Advice, Securities Dealing, and Credit Provision sub-sectors are discussed in further detail below. As no large financial firm failures have been identified within Credit Intermediation, no further commentary on this sub-sector is provided in this Executive Summary.

1.2.1 Personal Financial Advice sub-sector

The majority of the FY2028 Initial Estimate for Personal Financial Advice results from four major failures:

- **Shield Master Fund** (Shield), with complaints arising from various financial advisors that advised clients to this fund.
- **First Guardian Master Fund** (First Guardian), with complaints arising from various financial advisors that advised clients to this fund.
- **United Global Capital Pty Ltd** (UGC), and more specifically the failure of the related investment in Global Capital Property Fund (GCPF).
- **APT Strategy Pty Ltd** (APT Strategy).

The FY2028 Levy Estimate assumes AFCA will continue to make Determinations relating to Shield and First Guardian throughout the levy period. AFCA anticipates completing Determinations on all complaints lodged as at the date of this Report (excluding Interprac advised complaints which have been paused by AFCA pending legal action on foot) by mid FY2028.

The FY2028 Levy Estimate assumes that at least 1,500 more complaints will be lodged and that this will fully utilise AFCA's capacity in the second half of FY2028 to make Personal Financial Advice Determinations. Around 3,000 Shield and First Guardian investors (excluding Interprac) are yet to lodge an AFCA complaint. Given the number of Shield and First Guardian investors who may be eligible for a future AFCA complaint, the publicity around these losses and the proposed scheme changes applying to lodgements from 1 July 2027 onwards (see below), we consider it reasonable to assume that future complaints will fill the forecast pipeline of AFCA Determinations. This is discussed further in Section 5.2 and will be reconsidered with more contemporaneous information when we determine the Revised Estimate.

Complaints relating to UGC (GCPF) have been on foot since CSLR's commencement. The FY2028 Initial Estimate assumes UGC (GCPF) complaints will largely be determined and paid by CSLR by the end of the FY2028 year.

APT Strategy was deregistered on 3 January 2025 and was reinstated on 2 July 2026 following an order of the Supreme Court of Queensland. AFCA reinstated the membership of APT Strategy for 12 months at the liquidator's request, effective 25 August 2026, enabling complaints to be lodged with AFCA. APT Strategy provided financial advice to approximately 575 clients[1] to invest approximately $150m into failed managed investment schemes operated by Australian Fiduciaries Limited.

1.2.2 Securities Dealing sub-sector

The Securities Dealing FY2028 Levy Estimate includes allowance for claims arising from the failure of Capital Guard AU Pty Ltd (Capital Guard). ASIC cancelled Capital Guard's Australian financial services licence after finding it had engaged in serious misconduct, including promoting a fake Macquarie Bank bond, providing false documents to its auditor and making misleading statements on its website. ASIC's investigation indicates that Capital Guard raised approximately $17.4m from around 80 investors and that only a small proportion of those funds remain in known company bank accounts and payment platforms.

[1] "Report by Liquidator", SV Partners, 5 June 2026, https://svpartners.com.au/wp-content/uploads/AFL-Group-June-2026-Update-report-to-creditors-Redacted.pdf

We have assumed that all 80 Capital Guard investors will lodge an AFCA complaint and subsequently a CSLR claim, with 55 complaints lodged as at 31 August 2026.

The FY2028 Initial Estimate for the Securities Dealing sub-sector also includes payment of remaining claims relating to Remi Investment Services Pty Ltd (Remi). Remi is a previously identified failed Financial Firm and has been included in previous levy period estimates.

1.2.3 Failure of Walker Stores affecting the Credit Provision sub-sector

The failure of Walker Stores Pty Ltd (Walker Stores) is expected to give rise to claims for the Credit Provision sub-sector. This is discussed further in Section 4.4, with 48 claims expected to be paid in FY2028. However, we note that a materially larger population of potential claimants may arise from credit contracts issued by Walker Stores.

The Federal Court found that, between September 2021 and February 2025, more than 38,000 contracts may have had a flat interest rate incorrectly applied, resulting in consumers being charged almost $20m in excess interest[2]. While the compensation payable in respect of each claim is likely to be low, a significant increase in the number of complaints lodged with AFCA could materially increase fees payable by the CSLR.

1.3 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 the FY2028 levy period for each sub-sector. ASIC administers the Annual Levy to 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 in accordance with the sub-sector cap. The Annual Levy for Personal Financial Advice will be $20m based on our Initial Estimate.

An FY2028 Revised Estimate will be produced towards the end of FY2027. The Revised Estimate will inform CSLR's request for a Special Levy for FY2028. 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 may not be available to the Scheme until towards the end of the FY2028 year.

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 FY2028 until the Special Levy is received. 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.

The total levied amount across all sub-sectors cannot exceed $250m in aggregate for a Levy Period, consistent with section 17(1) of the Levy Act.

1.4 Post Implementation Review of the Scheme and 2026/27 Budget Measures

On 31 January 2025, the Assistant Treasurer announced a post-implementation review of the Scheme and released the *Compensation Scheme of Last Resort Post-Implementation Review – Terms of Reference*. On 7 April 2026, Treasury released the consultation paper, *Compensation Scheme of Last Resort – reform options to support ongoing sustainability*, seeking stakeholder feedback on targeted, technical, and structural reform options to support ongoing sustainability of the Scheme.

Following consideration of stakeholder feedback, on 19 August 2026, the Assistant Treasurer announced a package of reforms aimed at strengthening consumer protections and enhancing the resilience of Australia's

[2] https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2026-releases/26-099mr-federal-court-orders-335-million-penalty-against-snaffle-operator-for-inflating-prices-and-overcharging-on-credit-contracts

superannuation and financial system. Further detail on the proposed reforms is set out in the accompanying Government fact sheet[3].

Of the announced measures, the reform with likely the most direct potential impact on future Levy Estimates is the proposal to limit CSLR compensation to actual losses for complaints lodged with AFCA on or after 1 July 2027. Under the proposal, CSLR would no longer compensate claimants for counterfactual investment losses, which would most likely reduce the value of future compensation liabilities.

The FY2028 Initial Estimate has been prepared on the basis of the current legislative framework and does not incorporate the proposed reforms. As the relevant legislation has not yet been released and remains subject to legislative processes and enactment, the nature and timing of any reforms remain uncertain.

A substantial proportion of eligible complaints included in our FY2028 Initial Estimate have already been lodged with AFCA, or are assumed to be lodged between now and 1 July 2027. As a result, the proposed exclusion of compensation for counterfactual losses is not expected to reduce CSLR's assumed claim payments in the FY2028 Initial Estimate.

The impact of this reform is expected to become more pronounced in future levy periods as an increasing proportion of complaints are lodged with AFCA after 1 July 2027. The extent of the impact will depend on prevailing counterfactual returns. Where counterfactual returns are positive, compensation payments would generally be lower than under the current framework (all else equal), and vice versa.

The proposed reforms also aim to improve the efficiency of CSLR's operations. While any financial impact is not expected to be material, the reforms may affect the FY2028 period as follows:

- Expanded CSLR's statutory subrogation rights, which may provide access to additional recovery sources. Beyond the recoveries identified in this Report, no further material recovery opportunities have been identified at this time.
- Measures to reduce the time for CSLR to receive levy funds, which may affect the timing of compensation payments. As CSLR is not expected to hold onto funds for any extended period prior to making compensation payments, any effect on interest income earnings is expected to be small.

Other proposed reforms aimed at protecting consumers are expected to reduce the risk of failures like Shield and First Guardian occurring in the first place.

1.5 Implications of uncertainty

Table 1.2 summarises the key components of uncertainty for our Initial Estimate of the FY2028 Levy Period.

[3] https://treasury.gov.au/sites/default/files/2026-08/p2026-797028-npc-fact-sheet.pdf

Table 1.2 – Materiality of components of uncertainty

Element of Uncertainty	Level of Uncertainty	Commentary
AFCA's processing capacity	High	The speed at which AFCA processes complaints is a key component of uncertainty in the Initial Estimate. Given the significant number of open complaints (as well as the large number of investors who may lodge complaints in the future), in particular relating to Shield & First Guardian, there is the potential for processing efficiencies to emerge such that AFCA is able to determine more complaints than forecast. This is compounded by the existence of Shield & First Guardian related Financial Firms that are currently solvent but that have significant numbers of complaints lodged with AFCA. Were future Financial Firm failures to materialise, AFCA may increase the volume of complaints determined through FY2028, either with current capacity or by adding further complaint processing capacity.
Shield and First Guardian average claim size	High	There remains limited experience to inform potential claim sizes arising from Shield and First Guardian failures. Our assumption contains significant judgement. Of particular importance in estimating the Shield and First Guardian average claim size for FY2028 is the mix of claims paid by CSLR during the year.
New Financial Firm failure	Moderate	Initial Estimates are prepared well before the commencement of the Levy Period (usually around nine months). This timing is necessary to facilitate the levy-setting process and ensure that sufficient funds are available to pay compensation from the start of the Levy Period, including allowing for parliamentary disallowance periods and levy collection timeframes. Consequently, the probability of a new large financial firm failure emerging between the preparation of the Initial Estimate and the commencement of the Levy Period is greater than at the time a Revised Estimate is prepared. Were a new, large failure to materialise, it could impact AFCA's expected processing volumes for FY2028 and hence the number of claims available for payment by CSLR. For Securities Dealing, a new, large Financial Firm failure could result in a Levy estimate for the FY2028 year that exceeds the $20m sub-sector cap.

Section 9 of the report describes the uncertainty in the levy estimates and provides several plausible scenarios to assist readers in understanding these issues.

Please note the reliance and limitations set out in Section 10 of this report.

2 About this Report

2.1 Approach for the Initial Estimate

For the Initial Estimate, we have taken the following steps:

1 Updated expected CSLR processing volumes to align with AFCA's most up to date expectations for complaint processing volumes. These expected AFCA complaint volumes determine the volume of claims expected to be paid by CSLR in the FY2028 Levy Period.

2 Reviewed the complaint and claim experience from the large Financial Firm failures that were known at the time of preparing this report.

3 Identified and allowed for new large Financial Firm failures that may result in FY2028 Levy Period payments.

4 Compared actual to expected emerging experience on complaint volumes and average claim sizes with previous assumptions and revised assumptions where appropriate.

5 Estimated AFCA unpaid complaint fees calculated using AFCA's published 2026/27 complaint fees and the known CSLR User Charge payable in 2026/27, adjusted for one year of indexation.

6 Considered recoveries and offsets on expected compensation payments.

7 Reflected estimates for ASIC fees and CSLR operating costs for FY2028.

8 Allowed for investment income based on expected interest rates.

The underlying methodology for the Initial Estimate is largely unchanged from previous years, as described in detail in Appendix D.

2.2 Structure of this Report

The remainder of this report is structured as follows:

- Section 3 summarises CSLR legislative requirements, coverage, claim payments and funding of the Scheme.
- Section 4 considers large Financial Firm failures that are relevant for the Initial Estimate for the FY2028 Levy Period, being UGC, APT Strategy, Walker Stores, Capital Guard, Remi and financial advice firms related to the collapses of Shield and First Guardian.
- Section 5 reviews the experience since our previous review and outlines key assumptions that impact the Initial Estimate for the FY2028 Levy Period.
- Section 6 outlines our updated expectations of unpaid AFCA fees to be paid by CSLR in the FY2028 Levy Period.
- Section 7 deals with the other components of the estimates for the FY2028 Levy Period amounts.
- Section 8 sets out our recommendations for the Initial Estimate for the FY2028 Levy Period.
- Section 9 explores the uncertainty in the estimate and provides alternate scenarios.
- Our report concludes in Section 10 with a summary of the reliance and limitations of the advice provided in this report.

This Report is supported by a series of Appendices (A to F).

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 four 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 administrative costs.

[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 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"). As pre-CSLR complaints are expected to be largely completed prior to the commencement of the FY2028 Levy Period, this levy component is much less relevant moving forward.

The Scheme is funded by levies. CSLR's Initial Estimate (i.e. this Report) 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 claim payments, 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.

ASIC is only able to administer an Annual Levy up to the Initial Estimate, subject to a $20m cap for each relevant 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 can 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 makes 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 combined effects of the legislative instrument process, ASIC's invoicing of levies to financial firms, and delays in the receipt of levy funds and subsequent payment of compensation by the CSLR, it can be challenging for Further Levies and Special Levies to be imposed and collected in time for payment within the relevant levy period.

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)
Estimate =	Compensation payments to consumers	+	Unpaid fee payments to AFCA	+	ASIC levy administration	+	CSLR operating costs	+	Capital recovery (if any)	+/-	Adjustment for prior year shortfall or excess

The Levy Collection Act specifically identifies the components to be included in each levy period. In respect of item (6) above for the FY2028 Levy Period, an adjustment is made for the prior year shortfall or excess arising from the FY2026 Levy Period.

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

3.5 Previous Levy Period Reports

Finity has provided the reports in respect of previous Levy Periods since CSLR's commencement, which are available on CSLR's website. The reader may find that the most recent previous reports provide useful context for this Report as Financial Firm failures affect CSLR claim payments over multiple years. Specifically, the reader may refer to the following reports for the preceding Levy Period:

- "Initial Estimate for FY2027 (4th Levy Period)", dated 21 October 2025
- "Revised Estimate for FY2027 (4th Levy Period)", dated 18 June 2026, which updates the 4th Levy Period Initial Estimate Report. The Revised Estimate for FY2027 (4th Levy Period) is referred to as the 'previous review' throughout this report.

4 Large Financial Failures

In this section we provide background to large financial failures that are expected to be a material component of payments made by CSLR during the FY2028 Levy Period. These failures relate to:

Personal Financial Advice

- Shield Master Fund (Shield) & First Guardian Master Fund (First Guardian)
- United Global Capital Proprietary Limited (UGC)
- APT Strategy Pty Ltd (APT Strategy)

Credit Provision

- Walker Stores Pty Ltd (Walker Stores)

Securities Dealing

- Capital Guard AU Pty Ltd (Capital Guard)
- Remi Investment Services Pty Ltd (Remi)

Previous reports referred to the large financial failures outlined below, which are not discussed further in this report as they are not expected to materially impact the FY2028 Initial Estimate:

- Dixon Advisory and Superannuation Services Limited (DASS): DASS has dominated prior Levy Period estimates (i.e. the pre-CSLR estimate and up to the FY2027 Levy Periods). Complaints related to DASS are expected to be largely resolved by AFCA during the FY2027 Levy Period, and therefore payments relating to DASS are not expected to be material for the FY2028 Levy Period.
- Brite Advisors Pty Ltd (Brite): The expected number of complaints that are ultimately eligible for CSLR has reduced materially, as AFCA has determined that advice was provided outside of Australia and that the portfolio was largely invested in ETFs, which are not covered by CSLR. Most complaints have been closed and are not expected to result in a CSLR claim.

4.1 Shield Master Fund and First Guardian Master Fund

4.1.1 Background

Shield and First Guardian are Managed Investment Schemes (MIS) that failed at around the same time. While these are separate failures, some persons and companies are common across both failures. Keystone Asset Management and Falcon Capital Limited, the AFS Licensed Responsible Entities (RE) associated with these MIS respectively, are both in liquidation.

Around 5,800 people invested around $480m of their superannuation retirement savings into Shield[5], and around 6,000 people invested around $446m into First Guardian[6]. In many cases, this happened after people were contacted by lead generators and referred to financial advisors. These advisors often told investors to roll over their existing superannuation balances into a choice superannuation fund available on a platform or to set up a self-managed super fund (SMSF) to facilitate investment into the MIS.

In most cases, the investments into Shield and First Guardian were facilitated by superannuation trustees that were appointed to manage the superannuation fund, via a superannuation platform. Table 4.1 outlines the superannuation trustees that were involved.

[5] 25-176MR, ASIC, published 26 August 2025

[6] "Falcon Capital Limited (In Liquidation) (ACN 119 204 554) the Responsible Entity of the First Guardian Master Fund (ARSN 635 429 113)" Statutory Report to Creditors, 8 July 2025

Table 4.1 – Superannuation Trustees involved with Shield and First Guardian

Superannuation Trustee	Involvement with Shield & First Guardian[1]
Macquarie Investment Management Ltd (MIML)	Shield
Equity Trustees Superannuation Limited (Equity Trustees)	Both
Diversa Trustees Limited (Diversa)	First Guardian
Netwealth Superannuation Services Pty Ltd (Netwealth)	First Guardian

[1] *Source: ASIC*

Of the total $480m of investments made into Shield, MIML has reimbursed an estimated $321m to 3,000 investors under a court-enforced undertaking[7]. Similarly, of the total $446m of investments made into First Guardian, Netwealth has reimbursed an estimated $100m to 1,000 investors under a court-enforced undertaking[8].

Table 4.2 outlines the financial advisors that have been identified as having advised material volumes of clients towards these investments.

Table 4.2 – Financial Advisors materially involved with Shield and First Guardian

Financial Advisor	Involvement with Shield & First Guardian[1]
Interprac Financial Planning (Interprac)	Both
Financial Services Group Australia (FSGA)	Both
MWL Financial Services (MWL)	Shield
Next Generation Advice (NGA)	Shield
United Global Capital (UGC)	Both

[1] *Source: ASIC*

4.1.2 Developments since Previous Report

The details above are largely repeated from our Previous Report for completeness. External developments since our Previous Report that may have relevance to compensation amounts payable by CSLR include:

- ASIC continues to progress legal proceedings against parties associated with Shield and First Guardian failures. This includes proceedings seeking civil penalty and compensation orders against Equity Trustees and Diversa[9].
- Equity Trustees publicly stated that its professional indemnity claim relating to Shield has been accepted and that the First Guardian claim remains under consideration[10].
- Gordon Legal commenced the Macquarie Shield Master Fund Class Action for Shield investors invested through MIML ('Macquarie Class Action').
- On 25 September 2026, Netwealth Group Limited announced to the ASX that its subsidiaries, Netwealth Investments Limited and Netwealth Superannuation Services Pty Ltd, have been served with a Statement of Claim for a class action in relation to First Guardian ('Netwealth Class Action').

[7] 26-053MR, ASIC, published 20 March 2026
[8] 25-307MR, ASIC, published 18 December 2025
[9] 25-176MR, ASIC, published 26 August 2025 and 25-296MR, ASIC, published 9 December 2025
[10] Investor presentation: Results for year ended 30 June 2026, page 12, EQT Holdings Limited, published 27 August 2026

- Shield liquidators announced an interim distribution to be made to investors, discussed below in Section 4.1.5.

There is limited information to estimate the potential for the above actions to affect claim sizes for the CSLR.

4.1.3 CSLR-eligible complaints

The table below shows complaints relating to Shield and First Guardian received by AFCA as at 31 August 2026, compared to our Previous Report which showed data as at 30 April 2026.

Table 4.3 – Shield and First Guardian related complaints

	AFCA Complaints				
	Shield	First Guardian	Both	Total	Previous
Interprac	395	882	250	1,527	1,214
Other Financial Planners (not in liquidation)	1	5	2	8	7
Other Financial Planners (in liquidation)	**450**	**406**	**249**	**1,105**	885
Super Trustees	238	537	80	855	736
Responsible Entities (MIS)	47	162	16	225	202
Other complaints	17	14	12	43	29
Total	1,148	2,006	609	3,763	3,073

As at 31 August 2026, AFCA had received 3,763 complaints that it can identify as relating to Shield and/or First Guardian. This figure will change as more complaints are lodged in the future.

1,105 complaints have been lodged against financial planners in liquidation (noted as 'Other Financial Planners (in liquidation)' in the table), which are therefore CSLR-eligible. 1,527 complaints received by AFCA relate to Interprac. CSLR-eligibility requires that the financial advice firm is unable to, or does not, pay an adverse AFCA Determination. As at the date of this report, Interprac is not an insolvent firm and therefore no allowance is included in this Initial Estimate for Interprac related complaints. Interprac advised clients make up a material component of the complaints received to date and, as highlighted below, total funds invested into Shield and First Guardian.

AFCA continues to pause Determinations on complaints against Interprac while legal proceedings are underway[11]. It is possible that Determinations against Interprac will restart and become CSLR-eligible at a later stage. On Friday 21 August 2026, the Federal Court ordered that the proceedings brought by Interprac against AFCA will be heard on 15 and 16 February 2027. Any implications may be better known after this time and possibly in time to be considered for the Revised Estimate for FY2028.

As at 31 August 2026, there were 1,131 complaints against other entities that are not CSLR-eligible. CSLR cannot compensate complaints against entities that are not insolvent. CSLR cannot compensate complaints against Responsible Entities (and by extension, MIS) and Superannuation Trustees, as those entities are not part of sub-sectors captured by the Scheme.

4.1.4 Note on data shown in this Section

The following Section 4.1.5 and 4.1.6 show figures of investor counts and investment amounts for Shield and First Guardian respectively. Finity has based these figures on the latest available public information and other information provided from stakeholders to CSLR and Finity for the purposes of this Report.

[11] https://www.afca.org.au/news/latest-news/update-on-interprac-complaints; accessed on 12 October 2026

The limitations of the data shown include:

- The data has been produced by third parties, and there may be issues of consistency, completeness and accuracy of the information due to the way the data has been compiled.
- The data may change upon further investigation by regulators and liquidators.
- The data can be measured and reported in different ways. For example, the number of investors can be measured at different points in time due to new investors and leaving investors.

The above reasons mean that the data may differ from previous public reporting, and furthermore, may subsequently change in the future.

The available data does not provide the necessary splits of information relevant to this Report. We have assumed the components needed to inform our analysis; this is most relevant to our estimate of potential claim sizes for the Initial Estimate. We have noted where we have used an estimate. We may subsequently learn new information that may materially change these estimates.

Further, readers may observe that the figures shown in this Section are different to our previous reports. This is because we have reflected updated information which replaced our earlier approximations.

4.1.5 Shield Master Fund

Estimated investor losses

The table below summarises the funds invested into Shield at the time of wind up.

Table 4.4 – Estimated investments for Shield (at wind up)

	Interprac	Other advisors	Total
Number of investors			
Macquarie Wrap accounts	*Finity est: 2,200*	*Finity est: 600*	2,818
Non-Macquarie Wrap accounts	*Finity est: 1,300*	*Finity est: 1,600*	2,891
Total accounts	3,562	2,147	5,709
Principal amount invested ($m)			
Macquarie Wrap accounts	*Finity est: 210*	*Finity est: 110*	321
Non-Macquarie Wrap accounts	*Finity est: 50*	*Finity est: 120*	164
Total invested	256	228	485
Finity estimated counterfactual loss, after refunded principal and Interim Dividend ($m)			
Macquarie Wrap accounts	*62*	*34*	96
Non-Macquarie Wrap accounts	*53*	*126*	179
Total estimated counterfactual loss	115	160	275

The average amount invested into Shield per investor was $85,000 across 5,700 investors. Around 3,600 of these investors are associated with Interprac, leaving around 2,100 investors who were advised by other advisors, most of whom appear to be CSLR-eligible.

Deducting $321m repaid by MIML leaves $164m invested capital that has not yet been returned to investors. MIML only compensated investors for the capital invested and did not include compensation for lost investment returns, which means that investors who used MIML may still be eligible to claim for counterfactual losses. Non-MIML investors are eligible for lost principal as well as counterfactual losses.

Interim Dividend to investors

An Interim Dividend of $100.2m was approved by the Federal Court of Australia on 29 September 2026 to be paid to Shield unitholders. The implications of the Interim Dividend for potential CSLR claim payments are as follows:

- Investors who were compensated by MIML would not receive anything from the distribution as their portion of the distribution payment would go to MIML (as MIML purchased investors' holdings in Shield). However, these investors would still be eligible for CSLR compensation for counterfactual returns.
- Shield unitholders through Equity Trustees or other non-MIML channels will receive the Interim Dividend. It is anticipated that this payment will reduce the loss amount determined by AFCA, and therefore the amount potentially payable by CSLR. These investors may be eligible for CSLR compensation for the invested principal plus counterfactual returns minus the Interim Dividend.

Allowing for the principal investment and potential counterfactual balance owing to investors and deducting the Interim Dividend paid leaves an estimated loss to investors in the order of $275m. We have assumed a 30% counterfactual return based on recent AFCA Determinations (i.e. approximately 7% p.a. over a period of four years).

We outline our claim size assumptions relating to Shield in Section 5.

4.1.6 First Guardian Master Fund

Estimated investor losses

The table below summarises the funds invested into First Guardian based on information that is publicly available or was made available to us for this Initial Estimate.

Table 4.5 – Estimated investments for First Guardian (at wind up)

	Interprac	Other advisors	Total
Number of investors			
Netwealth accounts	*Finity est: 1,100*	*Finity est: 0*	1,082
Non-Netwealth accounts	*Finity est: 3,200*	*Finity est: 1,700*	4,977
Total accounts	4,330	1,729	6,059
Principal amount invested ($m)			
Netwealth accounts	*Finity est: 100*	*Finity est: 0*	101
Non-Netwealth accounts	*Finity est: 270*	*Finity est: 120*	394
Total invested	373	122	495
Finity estimated counterfactual loss, after refunded principal ($m)			
Netwealth accounts	*30*	*0*	30
Non-Netwealth accounts	*354*	*159*	513
Total estimated counterfactual loss	384	159	543

The average amount invested into First Guardian per investor was $82,000 across 6,100 investors. Around 4,300 of these investors are associated with Interprac, leaving around 1,700 investors who may have been advised by other advisors, most of whom appear to be CSLR-eligible.

Deducting $101m repaid by Netwealth leaves $394m invested capital that has not yet been returned to investors. Netwealth only compensated investors for the capital invested and did not include compensation for

lost investment returns, which means that investors who used Netwealth may still be eligible to claim for counterfactual losses. Non-Netwealth investors are eligible for lost principal as well as counterfactual losses.

Netwealth clients appear to have been predominantly advised by Interprac. This means that the repayment of invested principal by Netwealth largely went to Interprac clients.

Non-Netwealth clients were also mostly Interprac clients. The invested funds relating to other advisors arise from FSGA and UGC.

Allowing for the principal investment and potential counterfactual balance owing to investors leaves an estimated loss to investors in the order of $543m. We have assumed a 30% counterfactual return based on recent AFCA Determinations (i.e. approximately 7% p.a. over a period of four years).

Potential for returns to investors

Liquidator reports indicate limited prospects of material return to investors from the liquidation of First Guardian, and a substantial shortfall is likely. We have not assumed any offsets or recoveries from the liquidation of First Guardian.

We outline our claim size assumptions relating to First Guardian in Section 5.

4.2 United Global Capital Proprietary Limited

UGC is implicated with complaints relating to Shield and First Guardian, the Global Capital Property Fund (GCPF) as well as other circumstances. The Shield and First Guardian complaints have been identified by AFCA where possible and are considered above. This section focuses on GCPF and other related losses from UGC, which we will notate as UGC (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) [12]. GCPF's accounts as at 30 June 2023 showed it had 82m shares on issue and financial investments 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 other superannuation funds into SMSFs and thereafter invested in GCPF shares.

After initially cancelling UGC's AFCA membership in March 2025, AFCA subsequently reinstated its AFCA membership in September 2025 and again in March 2026 to ensure consumers impacted by the collapse of Shield and First Guardian could access redress.

Further background information on UGC and GCPF can be found in Appendix F.

4.2.1 UGC (GCPF) experience to date

Table 4.6 outlines the AFCA complaint and CSLR claim experience related to UGC (GCPF) to 31 August 2026 as well as projected numbers to 30 June 2027 and during FY2028. The rows highlighted blue relate to FY2028.

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

Table 4.6 – UGC (GCPF) complaint and claim experience

	FY2028 Initial Estimate
AFCA Complaints	
AFCA complaints to 31 August 2026	
Open complaints	415
Closed: Determination	151
Closed: Discontinuances and other closures	91
Total AFCA complaints to 31 August 2026	657
Potential future complaints	Limited
AFCA Determinations	
AFCA Determinations to 31 August 2026	151
Estimated AFCA Determinations to be made during the remainder of FY2027	201
Estimated AFCA Determinations to be made during FY2028	173
Estimated Total AFCA Determinations by the end of FY2028	525
CSLR Payments	
CSLR claims paid to 31 August 2026	80
Estimated CSLR claims to be paid during the remainder of FY2027	176
Estimated CSLR claims paid during FY2028	244
Estimated Total CSLR claims paid by the end of FY2028	499

4.2.2 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 most recent Statutory Report to creditors and investors on 25 November 2025, GCPF's liquidator estimated between $27.85m and $49.62m may be available for distribution to investors in due course. The liquidators have provided estimated timing of distributions as follows:

- Earliest that creditors could be expected to be paid: mid-2027.
- Earliest that a distribution would be made to shareholders: 3-6 months following payment to creditors.

A distribution during the FY2028 Levy Period is a realistic possibility, with the following implications for the Levy Period Estimate:

- CSLR may be eligible for a recovery in respect of previously paid UGC (GCPF) claims reflecting any agreements made between claim recipients and CSLR (discussed below).
- The size of CSLR claims to be paid after the distribution is made may be reduced as claimant losses are reduced following the distribution.

When calculating losses, AFCA's determinations will take into account amounts that complainants have received, or are expected to receive, from the UGC and GCPF liquidations. As a result, the loss amounts determined by AFCA may be reduced by any liquidation distributions received, or expected to be received, by the complainants.

To ensure claimants receive the correct amount of compensation under their AFCA determination, CSLR payments have been made on the basis that any future liquidation distributions are reconciled against the compensation paid. This enables CSLR to pass on any amounts owing to claimants and recover any amounts that would otherwise result in compensation exceeding the loss determined by AFCA.

This means that, depending on when the liquidator's distribution is made relative to how far along CSLR is in paying UGC (GCPF) related claims, the value of the expected recoveries and future claim payments will be different. We have therefore not allowed for the impact of expected future distributions in this Report and will reconsider this for the FY2028 Revised Estimate when distribution timing and progress of UGC (GCPF) claim payments may be clearer.

4.2.3 Implications for the FY2028 Levy Period Initial Estimate

The number of UGC complaints that AFCA can process during FY2027, and consequently the number of UGC complaints remaining for payment in FY2028, is a key determinant of the assumed CSLR claim payments for the FY2028 Levy Period.

4.3 APT Strategy Pty Ltd (APT Strategy)

4.3.1 Background

APT Strategy Pty Ltd (APT Strategy) was deregistered on 3 January 2025 and was reinstated on 2 July 2026 following an order of the Supreme Court of Queensland. AFCA reinstated the membership of APT Strategy for 12 months at the liquidator's request, effective 25 August 2026. This means that complaints can be lodged against APT Strategy, ultimately leading to possible claims with CSLR.

APT Strategy provided financial advice to approximately 575 clients[13] to invest into registered managed investment schemes operated by Australian Fiduciaries Limited (the Global Diversified Alpha Fund, the Global Multi-Strategy Fund and the Global All Seasons Fund). The total amount invested in these funds by clients of APT Strategy was approximately $150m.

Table 4.7 outlines the AFCA complaint and CSLR claim experience related to APT Strategy to 31 August 2026 as well as projected numbers to 30 June 2027 and during FY2028. The rows highlighted blue relate to FY2028.

[13] "Report by Liquidator", SV Partners, 5 June 2026, https://svpartners.com.au/wp-content/uploads/AFL-Group-June-2026-Update-report-to-creditors-Redacted.pdf

Table 4.7 – APT Strategy complaint and claim experience

	FY2028 Initial Estimate
AFCA Complaints	
AFCA complaints to 31 August 2026	
Open complaints	79
Closed: Determination	23
Closed: Discontinuances and other closures	31
Total AFCA complaints to 31 August 2026	133
Potential future complaints[1]	442
AFCA Determinations	
AFCA Determinations to 31 August 2026	23
Estimated AFCA Determinations to be made during the remainder of FY2027	85
Estimated AFCA Determinations to be made during FY2028	240
Estimated Total AFCA Determinations by the end of FY2028	348
CSLR Payments	
CSLR claims paid to 31 August 2026	19
Estimated CSLR claims to be paid during the remainder of FY2027	31
Estimated CSLR claims paid during FY2028	220
Estimated Total CSLR claims paid by the end of FY2028	271

[1] *APT Strategy provided financial advice to approximately 575 clients, 133 of which have lodged an AFCA complaint as at 31 August 2026*

Many of APT Strategy's 575 clients are expected to make a complaint to AFCA and consequently result in a CSLR claim.

4.3.2 Liquidation of Australian Fiduciaries Limited

The liquidators have reported that it is too early to determine if (or when) a dividend may be paid from the liquidation of Australian Fiduciaries Limited to investors. None has been assumed in this Report.

4.4 Walker Stores Pty Ltd (Walker Stores)

4.4.1 Background

Walker Stores operated Snaffle, an online retailer offering household goods, electronics, furniture and appliances through instalment-based finance plans. Walker Stores is a Credit Provider, and therefore complaints against Walker Stores are relevant to the Credit Provision sub-sector.

In 2025, the Australian Securities and Investments Commission (ASIC) commenced proceedings against Walker Stores, alleging:

- Product prices were significantly inflated before interest was added.
- Interest charges exceeded Australia's legal cap of 48% annual cost rate.
- Customers were charged unlawful fees and incorrect interest calculations.
- Credit disclosures allegedly failed to clearly show the true cost of borrowing.

In May 2026, Australia's Federal Court ordered a $33.5m penalty against Walker Stores[14].

4.4.2 Walker Stores experience to date

Table 4.8 outlines the AFCA complaint and CSLR claim experience related to Walker Stores to 31 August 2026 as well as projected numbers to 30 June 2027 and during FY2028. The rows highlighted blue relate to FY2028.

Table 4.8 – Walker Stores complaint and claim experience

	FY2028 Initial Estimate
AFCA Complaints	
AFCA complaints to 31 August 2026	
Open complaints	67
Closed: Determination	8
Closed: Discontinuances and other closures	98
Total AFCA complaints to 31 August 2026	173
Potential future complaints	Up to 38,000
AFCA Determinations	
AFCA Determinations to 31 August 2026	8
Estimated AFCA Determinations to be made during the remainder of FY2027	34
Estimated AFCA Determinations to be made during FY2028	48
Estimated Total AFCA Determinations by the end of FY2028	90
CSLR Payments	
CSLR claims paid to 31 August 2026	-
Estimated CSLR claims to be paid during the remainder of FY2027	26
Estimated CSLR claims paid during FY2028	48
Estimated Total CSLR claims paid by the end of FY2028	74

We expect 48 CSLR claims associated with Walker Stores will be paid in the FY2028 Levy Period. As at 31 August 2026, CSLR had made no claim payments related to Walker Stores.

4.4.3 Implications for the FY2028 Levy Period Initial Estimate

The Federal Court has stated that 38,000 individual credit contracts are impacted by incorrect interest calculations, amounting to nearly $20m of overcharged interest[15]. The average size of the loss to consumers is expected to be small.

AFCA has advised that it expects the Walker Stores related complaints to most likely all progress through a standard complaint handling process, thus attracting standard AFCA fee rates.

If a large volume of complaints relating to Walker Stores were to be received by AFCA during FY2028, AFCA may, subject to having sufficient operational capacity, process a greater number of complaints than currently assumed in its processing estimates. This could result in a higher-than-expected number of Determinations and correspondingly increased AFCA fees. At elevated volumes of Determinations, these fees could be substantial.

[14] Order, Order Number VID647/2025, 18 May 2026, Federal Court of Australia – Victoria Registry
[15] 26-099MR, ASIC, 18 May 2026

4.5 Capital Guard AU Pty Limited (Capital Guard)

4.5.1 Background

ASIC has successfully sought Court orders to wind up Capital Guard and appoint independent liquidators to take control of the company[16]. ASIC's concerns about Capital Guard include the handling of investor funds, the apparent promotion of bond investments that may not have existed as represented, and serious failures in governance and compliance.

Capital Guard promoted itself as a regulated financial services provider that specialised in acquiring and holding corporate bonds on behalf of clients.

ASIC previously cancelled Capital Guard's Australian financial services licence after finding it had engaged in serious misconduct, including promoting a fake Macquarie Bank bond, providing false documents to its auditor and making misleading statements on its website.

4.5.2 Implications for the FY2028 Levy Period

ASIC's investigation indicates that Capital Guard raised approximately $17.4m from around 80 investors and that only a small proportion of those funds remain in known company bank accounts and payment platforms.

We have assumed that all 80 investors will lodge an AFCA complaint and subsequently a CSLR claim, with 55 complaints lodged as at 31 August 2026. The FY2028 Initial Estimate allows for remaining claims that are not settled in FY2027.

Potential distributions from liquidation actions are not yet known. No distributions are assumed in the Initial Estimate.

4.6 Remi Investment Services Pty Ltd (Remi)

4.6.1 Background

Remi was licensed to provide financial services from October 2003 to 27 November 2023. Remi authorised Remi Capital Pty Ltd (Remi Capital) to provide financial services from 2019. Remi Capital was wound up on 9 June 2022. The liquidators have reported that the company and its group owed over $124m in total debts to investors and lenders[17].

As Remi has been expelled as an AFCA member, no further complaints can be lodged.

Table 4.9 outlines the AFCA complaint and CSLR claim experience related to Remi to 31 August 2026 as well as projected numbers to 30 June 2027 and during FY2028. The rows highlighted blue relate to FY2028.

[16] The Supreme Court of NSW made orders on 27 July 2026, Case Number 2026/00290408
[17] https://www.agilitylaw.com.au/winding-up-remi-capital; accessed 9 June 2026

Table 4.9 – Remi complaint and claim experience

	FY2028 Initial Estimate
AFCA Complaints	
AFCA complaints to 31 August 2026	
Open complaints	36
Closed: Determination	27
Closed: Discontinuances and other closures	29
Total AFCA complaints to 31 August 2026	92
Potential future complaints	Limited
AFCA Determinations	
AFCA Determinations to 31 August 2026	27
Estimated AFCA Determinations to be made during the remainder of FY2027	21
Estimated AFCA Determinations to be made during FY2028	12
Estimated Total AFCA Determinations by the end of FY2028	60
CSLR Payments	
CSLR claims paid to 31 August 2026	23
Estimated CSLR claims to be paid during the remainder of FY2027	11
Estimated CSLR claims paid during FY2028	21
Estimated Total CSLR claims paid by the end of FY2028	55

We expect 21 CSLR claims associated with Remi will be paid in the FY2028 Levy Period. As at 31 August 2026, CSLR had made 23 claim payments related to Remi.

4.6.2 Implications for the FY2028 Levy Period

CSLR is anticipating that claims relating to Remi will be largely reported and paid throughout FY2027 and FY2028.

5 Claim cost assumptions

In this section, we document the estimate of the claim costs expected to be paid by CSLR, arising from post-CSLR complaints, for the FY2028 Levy Period.

5.1 AFCA complaint experience

Table 5.1 shows the number of reported in-scope, post-CSLR complaints as at 31 August 2026 (this Initial Estimate review) and as at 30 April 2026 (the most recent previous review).

Table 5.1 – Reported post-CSLR in-scope complaints to AFCA

	As at 30 Apr 2026			As at 31 Aug 2026		
	Open	Closed	Total	Open	Closed	Total
Personal Financial Advice: DASS	631	431	1,062	359	699	1,058
Personal Financial Advice: UGC (GCPF)	476	186	662	415	242	657
Personal Financial Advice: Brite	726	12	738	162	590	752
Personal Financial Advice: APT Strategy	6	52	58	79	54	133
Personal Financial Advice: Shield/First Guardian	773	112	885	877	228	1,105
Personal Financial Advice: Other	191	314	505	168	392	560
Personal Financial Advice	2,803	1,107	3,910	2,060	2,205	4,265
Credit Provision: Walker Stores	44	91	135	67	106	173
Credit Provision: Other	3	114	117	14	222	236
Credit Provision	47	205	252	81	328	409
Credit Intermediation	2	10	12	3	10	13
Securities Dealing: Capital Guard	-	-	-	55	-	55
Securities Dealing: Remi	38	92	130	36	56	92
Securities Dealing: Other	6	90	96	8	97	105
Securities Dealing	44	182	226	99	153	252
Total	2,896	1,504	4,400	2,243	2,696	4,939

Movements in personal financial advice include:

- DASS has ceased being an AFCA member which means that no further DASS complaints can be reported to AFCA. The number of post-CSLR DASS complaints has reduced by four due to duplicate complaints being removed by AFCA. As at 31 August 2026, AFCA has progressed 561 post-CSLR DASS complaints to a Determination, 131 post-CSLR DASS complaints have been discontinued, and seven others were outside rules. 359 post-CSLR DASS complaints remain open.
- The number of UGC (GCPF) complaints has reduced by five since our previous review as some UGC claims were reclassified as being related to Shield & First Guardian. As at 31 August 2026, 325 UGC (Shield & First Guardian) complaints have also been reported to date. These UGC (Shield & First Guardian) complaints are included in 'Personal Financial Advice: Shield/First Guardian' in the table.
- 14 additional Brite complaints have been reported since the time of our previous review. However, as discussed in Section 4, most complaints relating to Brite are expected to be outside of CSLR's eligibility and have correspondingly been closed by AFCA as at 31 August 2026.
- 133 APT Strategy complaints have been reported, with 75 additional APT Strategy complaints reported since the time of our previous review. AFCA has progressed 23 APT Strategy complaints to a Determination, with 31 others being resolved by the Financial Firm or otherwise discontinued (most were deemed outside rules).

- 220 additional Shield & First Guardian related complaints have been reported to AFCA in the four months since our previous review. The number of complaints received continues to be well below the estimated number of investors affected.

Movements in the other sub-sectors include:

- 157 additional Credit Provision complaints have been reported since the time of our previous review, to a total of 409 to date (173 Walker Stores and 236 to other financial firms). Only 23 of the 328 closed complaints resulted in a Determination (others were resolved by the financial firm or otherwise discontinued).
- The total number of Securities Dealing complaints reported has increased by 26, bringing the total to 252 as at 31 August 2026. 70 of the 153 complaints closed to date resulted in a Determination (others were resolved by the Financial Firm or otherwise discontinued).
    - > Capital Guard accounts for 55 of the 252 complaints to date. Capital Guard complaints have only begun emerging in recent months.
    - > Remi accounts for 92 of the 252 complaints to date and 27 of the 70 Determinations to date. The total number of Remi complaints to date included in Table 5.1 has reduced since the time of our previous review because reopened complaints were previously being presented as additional complaints in this table. This duplication of complaints has now been removed from this table[18].
    - > A handful of complaints relating to other Securities Dealing have been reported since the time of our previous review.

5.2 Assumed AFCA complaint processing

The number of CSLR claims to be paid in the FY2028 Levy Period is largely dependent on how many complaints AFCA can determine in that period. Our assumed CSLR claims processing volume is informed by AFCA's forecast Determination timeframes provided in mid-September 2026.

5.2.1 AFCA Determination forecasts

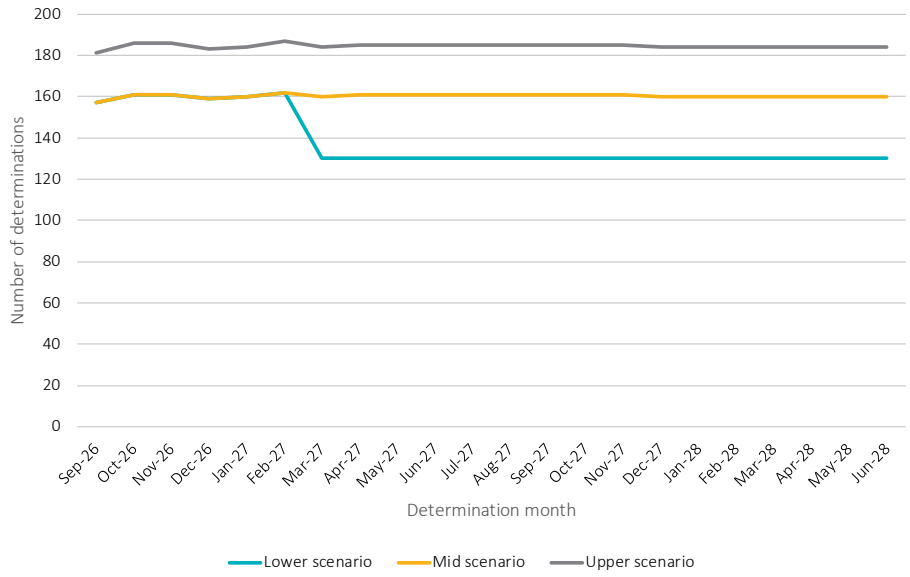
AFCA provided three potential scenarios of future CSLR in-scope AFCA determinations up to the end of June 2028.

- Lower scenario: forecasts 130 total CSLR in-scope AFCA Determinations in each month of FY2028.
- Mid scenario: forecasts about 160 total CSLR in-scope AFCA Determinations in each month of FY2028.
- Upper scenario: forecasts about 185 total CSLR in-scope AFCA Determinations in each month of FY2028.

The total numbers of CSLR in-scope AFCA Determinations for AFCA's three scenarios are shown in Figure 5.1 below.

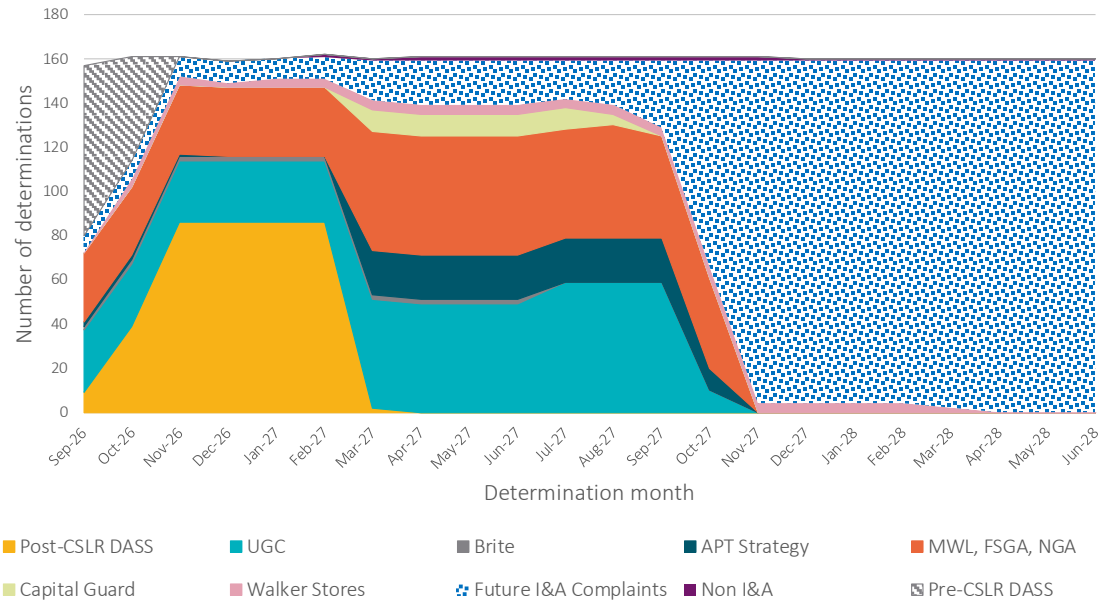
[18] This change in presentation does not affect the modelling treatment or results in this Report.

Figure 5.1 – AFCA Determination forecast: AFCA's scenarios



We have assumed AFCA's 'Mid' scenario for our FY2028 forecasts. Figure 5.2 shows projected Determinations by month under AFCA's Mid scenario, split by known complaints from the major financial firm failures.

Figure 5.2 – AFCA Determination forecast: Detail of AFCA's Mid scenario



**Note that I&A refers to "Investments and Advice", AFCA's organisational team for handling complaints.*

AFCA's forecast Determination volumes, as estimated in mid-September 2026, allow for the resolution of complaints already lodged with AFCA and future complaints to be reported to AFCA (shown as the "Future I&A Complaints" segment in Figure 5.2). AFCA's Mid scenario forecast volumes anticipate the following:

- Determinations on pre-CSLR DASS complaints will be completed by the end of October 2026.
- Determinations on post-CSLR DASS complaints will be completed by the end of March 2027.
- Determinations on complaints already lodged with AFCA will be largely completed by the end of calendar year 2027 (i.e. mid-way through the FY2028 Levy Period).

AFCA's complaint handling forecast reflects its expected capacity to make Determinations based on its available workforce, which exceeds the volume of complaints currently lodged with AFCA. The forecast allows for Determinations on complaints that will be lodged in future (i.e. between now and the end of FY2028).

5.2.2 Assumed future AFCA complaint lodgements

Additional Personal Financial Advice Determinations assumed by Finity

The AFCA Determinations for "Future I&A Complaints" shown in Figure 5.2 can be met from complaints lodged from the following:

- New in-scope complaints from already failed firms.
- Currently open and future in-scope complaints from Financial Firms that subsequently become eligible for CSLR (e.g. if the Financial Firm becomes insolvent).

We have assumed that AFCA's capacity to handle an extra 1,500 complaints on top of those already reported is mostly filled by future complaint lodgements relating to Shield and First Guardian. Around 3,000 Shield and First Guardian investors (excluding Interprac advised investors) are yet to lodge an AFCA complaint, and a further 6,400 Interprac investors may be eligible to lodge a CSLR claim if Interprac is unable to pay any adverse Determinations. Given the number of Shield and First Guardian investors who may be eligible to lodge a complaint with AFCA and obtain a favourable decision, the publicity around these losses and the proposed Scheme changes, we consider it reasonable to assume that future complaints will fill AFCA's forecast Future I&A Complaints capacity.

The proposed changes to the Scheme applying from 1 July 2027 (discussed in Section 1.4), which would remove compensation for counterfactual losses from complaints lodged after this date, are likely to encourage some Shield and First Guardian investors to lodge complaints by the 1 July 2027 date when the changes may take effect.

The assumed mix of future complaints filling the pipeline is based on the mix of remaining investors by Financial Firm. This is relevant for estimating the claim size, as the average amounts invested differ by Financial Firm.

Additional other Determination Allowances assumed by Finity

While the majority of our calculations are based on AFCA's forecast numbers of Determinations for FY2028, we have increased slightly the number of AFCA Determinations that we assume for this Report as summarised in Table 5.2.

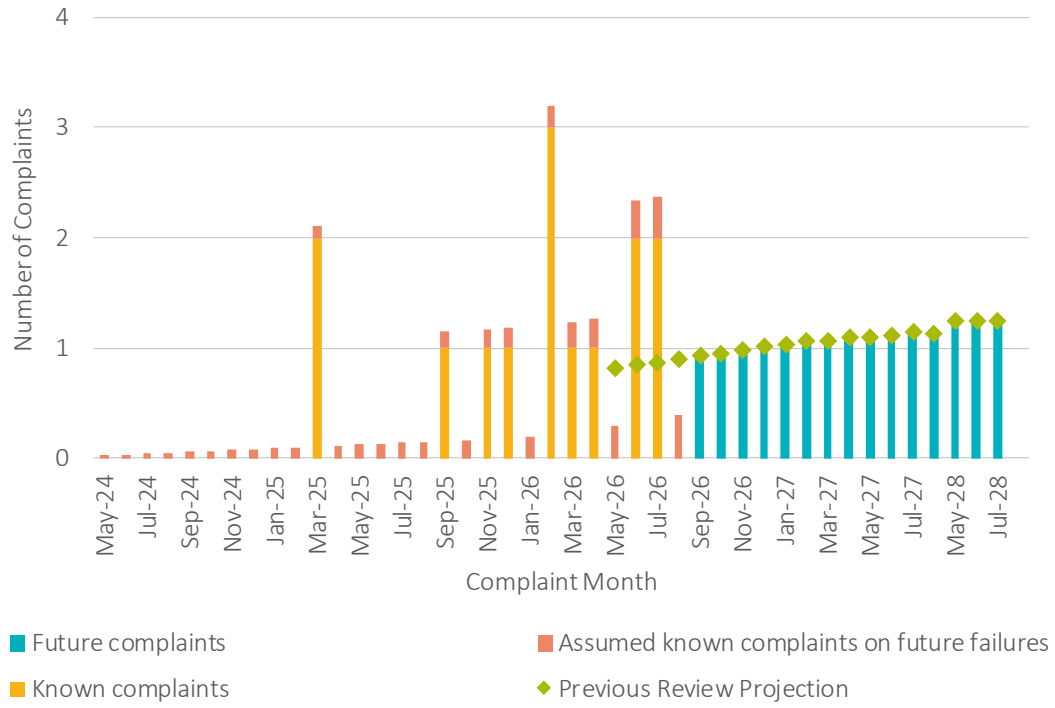
Table 5.2 – Additional in-scope AFCA Determination allowances for FY2028 above AFCA's forecasts

Sub-sector / Financial Firm	Allowance for additional in-scope AFCA Determinations during FY2028
Credit Provision: Walker Stores	**14 additional Determinations** AFCA's Determination forecast projects four Walker Stores Determinations per month. We have assumed this rate of Determinations to continue to the end of FY2028. This assumes an additional 15 future complaint lodgements (corresponding to 14 additional Determinations) compared to the estimated 38,000 affected customers.

Sub-sector / Financial Firm	Allowance for additional in-scope AFCA Determinations during FY2028
Credit Intermediation	**15 additional Determinations** AFCA's forecast does not include any Credit Intermediation Determinations. We have included an allowance of just over one Determination per month during FY2028, in line with the previous review. This is based on Credit Intermediation complaint experience (as shown in Figure 5.4).

Figure 5.3 shows recent complaint experience as well as our projections for future complaints to emerge for Credit Intermediation, as described in Table 5.2 above.

Figure 5.3 – Reported complaints and projected complaints by complaint month: Credit Intermediation



Complaint experience for Credit Intermediation has been slightly higher than expectations in our previous review. Noting the variability of these expectations given the lower projected volumes, we have not changed our projected future complaint volumes for this sub-sector.

5.3 Assumed CSLR claim numbers

Expected CSLR claim processing timeframes, propensity of AFCA Determinations to become CSLR claims and claim acceptance probabilities are applied to projected AFCA Determinations to estimate the number of CSLR claims eligible to be paid during the FY2028 Levy Period, assuming CSLR has the funds available to do so.

Table 5.3 shows the resulting numbers of CSLR claims to be paid during FY2028 compared to the numbers of AFCA determinations expected to be made.

Table 5.3 – Number of assumed AFCA determinations and CSLR claims paid in the FY2028 Levy Period

Subsector/Financial Firm	No. AFCA complaints to be finalised	No. CSLR claims to be paid
Personal Financial Advice: DASS	-	7
Personal Financial Advice: UGC (GCPF)	173	244
Personal Financial Advice: Brite	-	5
Personal Financial Advice: APT Strategy	240	220
Personal Financial Advice: Shield & First Guardian	1,193	1,089
Personal Financial Advice: Other	205	120
Personal Financial Advice	1,811	1,685
Credit Provision: Walker Stores	48	48
Credit Provision: Other	17	11
Credit Provision	65	59
Credit Intermediation	15	11
Securities Dealing: Capital Guard	40	66
Securities Dealing: Remi	12	21
Securities Dealing: Other	12	5
Securities Dealing	64	92
Total	**1,955**	**1,847**

5.4 Average CSLR claim sizes

Our assumptions for average CSLR claim sizes are based on a combination of experience (where there is credible emerging experience) and a-priori estimates based on available sources of information. This section considers the emerging average claim sizes and our adopted assumptions.

5.4.1 Recent claim size experience

Table 5.4 outlines the emerging experience up to 31 August 2026 across our modelling segments.

Table 5.4 – Average complaint and claim size

	AFCA		CSLR		Average claim size	
Segment	No. of Determinations (non-nil)	Average Determination Amount[1] ($000)	No. of Claims Paid	Average payment amount ($000)	FY2027 Revised Estimate ($000)	FY2028 Initial Estimate ($000)
Personal Financial Advice: DASS	550	134	316	138	142	142
Personal Financial Advice: UGC (GCPF)	146	137	80	134	139	139
Personal Financial Advice: Brite	1	21	1	22	105	105
Personal Financial Advice: APT Strategy	24	131	19	140	105	150
Personal Financial Advice: Shield/First Guardian	181	124	9	83	67	78
Personal Financial Advice: Other	195	68	78	94	103	117
Personal Financial Advice	1,097	121	503	129	112	99
Credit Provision: Walker Stores	29	4	-	-	5	5
Credit Provision: Other	36	2	6	1	40	40
Credit Provision	65	3	6	1	8	11
Credit Intermediation	3	3	-	-	100	100
Securities Dealing: Capital Guard	-	-	-	-	n/a	150
Securities Dealing: Remi	27	109	23	118	110	140
Securities Dealing: Other	33	54	16	54	75	75
Securities Dealing	60	79	39	91	106	144

[1]Capped at $150k per Complaint

We make the following observations on the emerging average complaint and claim size experience (more detailed observations regarding Shield and First Guardian are outlined in Section 5.4.2 below):

- DASS: CSLR has paid 316 post-CSLR DASS claims with an average compensation amount of $138,000. This is close to our previous review assumption of $142,000, hence we have not changed our assumption for FY2028.
- UGC (GCPF): CSLR has paid 80 UGC (GCPF) claims with an average compensation amount of $134,000. This is close to our previous review assumption of $139,000, hence we have not changed our assumption for FY2028.
- Brite: Brite is no longer expected to lead to material claims for the CSLR (see Section 4). We have kept our assumed average claim size for Brite unchanged, noting that this is not material to the FY2028 Initial Estimate.
- APT Strategy: CSLR has paid 19 APT Strategy claims with an average compensation amount of $140,000, with more recent payments all being $150,000. Average investments in APT Strategy are over $250,000 per investor, and therefore we have assumed APT Strategy CSLR claims to be $150,000.
- Other Personal Financial Advice: We have kept our base assumption of $100,000 unchanged for Other Personal Financial Advice. We allow for 5% of Determinations to result in multiple payments for some financial advice firms. The mix of these complaints with multiple payments has changed slightly from our previous review, which also contributes to changes to our adopted average claim size[19].
- Credit Provision:

[19] 14 Australian Fiduciaries claims, which are included under Other Personal Financial Advice, are assumed to be paid in FY2028. Given this, and the relationship between Australian Fiduciaries and APT Strategy, we have assumed the same average size of $150,000. This has increased the average size shown for Other Personal Financial Advice.

- The average compensation size of $5,000 for Walker Stores is unchanged from the previous review.
- Average compensation of $40,000 for other Credit Provision Financial Firms is unchanged.

- Credit Intermediation: There is no meaningful experience. The previously assumed average compensation amount selection of $100,000 has been retained.
- Securities Dealing:
  - There have been no AFCA determinations or CSLR payments relating to Capital Guard to date. The average amount raised from investors is around $220,000, and therefore we have assumed an average CSLR claim size at the compensation cap of $150,000.
  - CSLR has paid 23 Remi claims with an average compensation amount of $118,000. The eight claims paid since our previous review had an average compensation amount of $139,000. We have increased our average compensation amount selection for Remi from $110,000 to $140,000 to reflect the recent experience.
  - We have kept our base assumption of $75,000 unchanged for Other Securities Dealing.

5.4.2 Shield & First Guardian

CSLR has paid nine claims to date relating to Shield & First Guardian, with an average compensation amount of $83,000. All nine of these claims relate to UGC and First Guardian.

AFCA has issued 181 non-nil Determinations in favour of the complainant to date relating to Shield & First Guardian, with an average capped Determination amount of $124,000. This emerging average size experience is higher than what we had previously selected ($67,000 on average across Shield & First Guardian). These earlier Determinations appear to be biased towards investors with large investment amounts (of whom there are fewer), and future Determinations will be different as the mix changes (they will be lower if the mix is more reflective of the average investor).

Our overall selected average size for the FY2028 Initial Estimate for Shield & First Guardian is $78,000, higher than previously selected for the FY2027 Revised Estimate ($67,000). This increase reflects the latest information available on investment amounts (shown in Sections 4.1.5 and 4.1.6), allowing for the Interim Dividend paid to Shield investors and the assumed change in mix between Shield & First Guardian complaints in FY2028 compared to FY2027. Our refined Shield and First Guardian average claim size estimates are discussed further below.

Shield average claim size estimate

We assumed a distribution of initial investment sizes to recognise that there are investors who invested larger and smaller amounts of funds into Shield.

The following adjustments were made to each investment balance to estimate an average CSLR claim size:

1. Deduct the invested principal amounts that were repaid by MIML.
2. Deduct the Interim Dividend from Shield Liquidators that will be paid to non-MIML investors.
3. Add an estimate for counterfactual investment returns.
4. Cap losses at CSLR's $150,000 compensation cap.
5. Assume a mix of claims that will be paid by CSLR in FY2028.

The claim size which CSLR will pay in FY2028 will depend on the mix of investors (between larger and smaller investors) who lodge a claim that is available for payment in the year. We have assumed that the FY2028 mix of

claims will continue to be skewed to larger investment sizes, but not to the extent seen in recent complaint experience. Over time, we expect the mix of claims lodged with CSLR to shift towards more typical investor profiles.

The outcome is shown below.

Table 5.5 – Estimated CSLR claim size for Shield investors (excluding Interprac clients)

	Invested principal	After repaid principal	After Interim Dividend	Including counterfactual losses	Applying CSLR Cap	Applying assumed FY2028 claim mix
Macquarie accounts	190,845	-	-	57,254	55,565	**62,084**
Non-Macquarie accounts	74,223	74,223	58,879	81,146	69,948	**74,274**

We have assumed an average claim size for Shield related complaints in FY2028 of $67,000, after allowing for the mix of MIML and non-MIML claims expected to be paid during FY2028. We assume that 5% of Determinations will result in multiple CSLR payments and, as a result, the average claim size per Determination is assumed to be $70,400. This is lower than our previous estimated average claim size of $79,800, due to the recently announced Interim Dividend, the assumed FY2028 claim mix, and the enhancements to our modelling approach enabled by the additional information provided.

First Guardian average claim size estimate

As we did for the Shield estimates, we assumed a distribution of initial investment sizes to recognise that there are investors who invested larger and smaller amounts of funds into First Guardian.

Netwealth clients appear to have been predominantly advised by Interprac, as discussed in Section 4.1.6 above. This means that the repayment of invested principal by Netwealth largely went to Interprac clients and does not affect our estimate of average claim size for non-Interprac clients.

The following adjustments to the investment balance have been calculated to estimate the average CSLR claim size:

1 Add an estimate for counterfactual investment returns.

2 Cap losses at CSLR's $150,000 compensation cap.

3 Assume a mix of claims that will be paid in FY2028.

The average claim size which CSLR will pay in FY2028 will depend on the mix of investors (between larger and smaller investors) who lodge a claim. We have assumed that the FY2028 mix of claims will be skewed to larger investment sizes, but not to the extent seen in recent complaint experience.

The outcome is shown in Table 5.6 below.

Table 5.6 – Estimated CSLR claim size for First Guardian investors (excluding Interprac clients)

	Invested principal	Including counterfactual losses	Applying CSLR Cap	Applying assumed FY2028 claim mix
Netwealth accounts	-	-	-	**-**
Non-Netwealth accounts	70,536	91,697	78,627	**82,089**

We have assumed an average claim size for First Guardian related complaints in FY2028 of $82,100. We assume that 5% of Determinations will result in multiple CSLR payments and, as a result, the average claim size per Determination is assumed to be $86,200.

This is higher than our previous estimated average claim size of $42,700, primarily due to new information revealing that:

- Non-Netwealth average initial invested amounts were larger than what was understood at the previous review.
- Netwealth was predominantly used by Interprac for First Guardian investments, and as such the Non-Netwealth average claim size (which was higher than the Netwealth average claim size at the previous review) has been adopted for all non-Interprac investors.

6 Estimate of Unpaid AFCA Fees

6.1 AFCA's current fee structure

CSLR compensates 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 Financial Firms with in-scope CSLR claims are unlikely to meet their Complaint and User Charge fees.

6.1.1 Complaint fee

Table 6.1 outlines our understanding of the complaint fee structure[20] applying to discontinued complaints and determinations for FY2028.

Table 6.1 – Assumed AFCA complaint fee for FY2028

Complaint Type	FY2027 (excl. GST)	FY2028 (excl. GST)
Determination	9,948	10,296
Discontinued	2,393	2,477
Fast-Track: Determination	3,377	3,495
Fast-Track: Discontinued	1,220	1,263

We have assumed the FY2028 complaint fees will be the FY2027 fees increased by 3.5%.

Based on our estimates of future Determinations and discontinued complaints, we have estimated that there will be $20.5m in AFCA Complaint fees payable in the FY2028 Levy Period, $19.0m of which will relate to Personal Financial Advice.

6.1.2 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 closed in respect of each member during the financial year, compared with the same data 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.

AFCA has advised that it applies a cost recovery model for CSLR, and the User Charge reflects actual costs of providing services relating to CSLR's operation, predominantly AFCA's staff costs. AFCA expects further efficiencies and a reduction in cost per case in FY2028, over and above the efficiencies already realised in FY2027. Further, AFCA has indicated that staffing levels in FY2028 are expected to be similar to those in FY2027.

[20] https://www.afca.org.au/members/funding-model/fee-structure, accessed 13 October 2026

We have therefore assumed an FY2028 User Charge of $5.9m (excluding GST), which is estimated by applying 3.5% inflation to the FY2027 User Charge of $5.7m.

Previously the User Charge was allocated to pre-CSLR and post-CSLR complaints. As pre-CSLR complaints are not expected to be material during FY2028, the User Charge is included in full in the FY2028 Initial Estimate.

It is expected that AFCA will provide an estimate of the FY2028 User Charge in time for the preparation of the FY2028 Revised Estimate. The actual User Charge may be lower or higher than assumed for this Initial Estimate.

6.2 Estimate of Unpaid AFCA fees for the FY2028 Levy Period

Based on the assumptions discussed above, Table 6.2 shows the estimated unpaid AFCA fees in respect of the FY2028 Levy Period. The estimated total amount of $26.4m is split across each of the sub-sectors.

Table 6.2 – Estimated Unpaid AFCA fees for FY2028 Levy Period

Subsector/Financial Firm	Number of Determinations in FY2028	Number of discontinued complaints in FY2028	Complaint fees paid in FY2028 Levy Period ($000)	User charge paid in FY2028 Levy Period ($000)	**Total AFCA fees for FY2028 Levy Period estimate ($000)**
Personal Financial Advice: UGC (GCPF)	173	19	1,826	536	**2,362**
Personal Financial Advice: APT Strategy	240	27	2,537	745	**3,282**
Personal Financial Advice: Shield/First Guardian	1,193	90	12,501	3,584	**16,085**
Personal Financial Advice: Other	205	13	2,139	608	**2,747**
Personal Financial Advice	1,811	149	19,004	5,473	**24,477**
Credit Provision: Walker Stores	48	3	500	141	**642**
Credit Provision: Other	17	1	177	50	**227**
Credit Provision	65	4	678	191	**869**
Credit Intermediation	15	-	157	43	**200**
Securities Dealing: Capital Guard	40	-	412	112	**524**
Securities Dealing: Remi	12	1	123	37	**159**
Securities Dealing: Other	12	1	129	35	**164**
Securities Dealing	64	2	663	184	**847**
Total	1,955	154	20,502	5,891	**26,393**

7 Other Considerations

7.1 Factors affecting CSLR compensation amounts

The compensation ultimately paid by CSLR may be affected by a range of factors, including statutory reductions required under the *Corporations Act 2001*, recoveries and offsets reflected in AFCA Determinations, and amounts recovered after a CSLR payment has been made.

Reductions to CSLR compensation under Section 1067

The compensation payable by CSLR may be reduced where the claimant has received, or is entitled to receive, certain other amounts in respect of the relevant loss. Consistent with section 1067 of the *Corporations Act 2001*, these amounts may include:

- payments received directly from the financial firm before the CSLR claim is determined;
- payments available from other statutory compensation arrangements; and
- any other amounts prescribed by the regulations.

At the date of this Report, we are not aware of any amounts prescribed for this purpose by regulation.

In Australia, the principal statutory compensation arrangement of which we are aware is the National Guarantee Fund (NGF), which may apply to certain securities dealing matters, although its scope is limited and would not extend to all circumstances within that sub-sector.

Deductions and offsets associated with AFCA Determinations

AFCA Determinations may also reflect recoveries, offsets or deductions that reduce a claimant's compensable loss. These adjustments may arise from payments made by the financial firm, its insurers, insolvency practitioners, or other parties. Depending on the circumstances, they may include:

- payments made under a professional indemnity insurance policy;
- amounts paid by the financial firm;
- liquidation distributions;
- class action settlement proceeds;
- payments under a deed of company arrangement (DOCA);
- compensation received through civil penalty proceedings or other court-ordered compensation processes; and
- other recoveries or deductions recognised by AFCA when assessing the claimant's loss.

Where AFCA has taken these matters into account, the Determination amount will generally reflect the claimant's net compensable loss. This treatment is implicitly allowed for in our modelling through the assumed claim sizes.

In some circumstances, a claimant may receive funds in connection with a relevant AFCA Determination before making a claim with CSLR. In these cases, CSLR will assess the claimant's remaining loss when determining the compensation amount payable. This treatment is also implicitly allowed for in our modelling through the assumed claim sizes.

Alternatively, a claimant may receive compensation from CSLR before further recoveries or offsets become available. This may occur where it would be unreasonable to delay payment of CSLR compensation while

potential recoveries remain uncertain or are not yet realised. In such cases, CSLR may make compensation payments before subsequently receiving recoveries relating to the same loss. These recoveries may arise some time after the CSLR payment has been made. In those cases, and depending on the circumstances of the relevant claim, CSLR will take all reasonable steps to ensure any deductions or offsets over and above the amount awarded to a claimant in the Determination are recovered by CSLR.

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 the potential for recoveries to materialise for each large financial failure specifically. The following recoveries have been considered in this Report:

- UGC (GCPF): A distribution from GCPF's liquidation has been indicated, and this may possibly occur during the FY2028 Levy Period. This will likely result in a recovery to CSLR during FY2028. We will estimate the CSLR implications reflecting any further details of the distribution released by the liquidators when preparing the Revised Estimate for FY2028.
- Shield: An Interim Dividend of $100.2m was approved on 29 September 2026 and subsequently paid to unitholders on 26 October 2026. This will have been paid predominantly to claimants who have not yet received a CSLR payment, and therefore this will reduce the residual loss for Shield related claims assessed by CSLR.

No recoveries are assumed for non-large financial failures (these are not expected to be material).

Recoveries through subrogation rights

Where CSLR pays compensation to an eligible claimant, it may acquire rights of recovery under section 1069A of the *Corporations Act 2001*. These subrogation rights may enable CSLR to recover amounts from parties connected with the relevant unpaid AFCA Determination. These rights are connected to the financial firm that was liable under the Determination and failed to pay the compensation awarded.

In practice, potential recoveries may arise from insolvency administrations. Any such recoveries may be received after CSLR has paid compensation to the claimant and may therefore partially offset the net cost ultimately borne by the Scheme.

However, recoveries through this mechanism are expected to be nominal. Consistent with CSLR's operational experience, financial firms with unpaid AFCA Determinations have typically entered external administration with limited remaining assets available to creditors. While CSLR may lodge proofs of debt and pursue appropriate recovery opportunities, the timing and quantum of any recoveries are inherently uncertain and are often dependent on lengthy insolvency, insurance or litigation processes. Accordingly, no material allowance for recoveries obtained through CSLR's subrogation rights has been made in our modelling assumptions.

7.2 Investment income

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

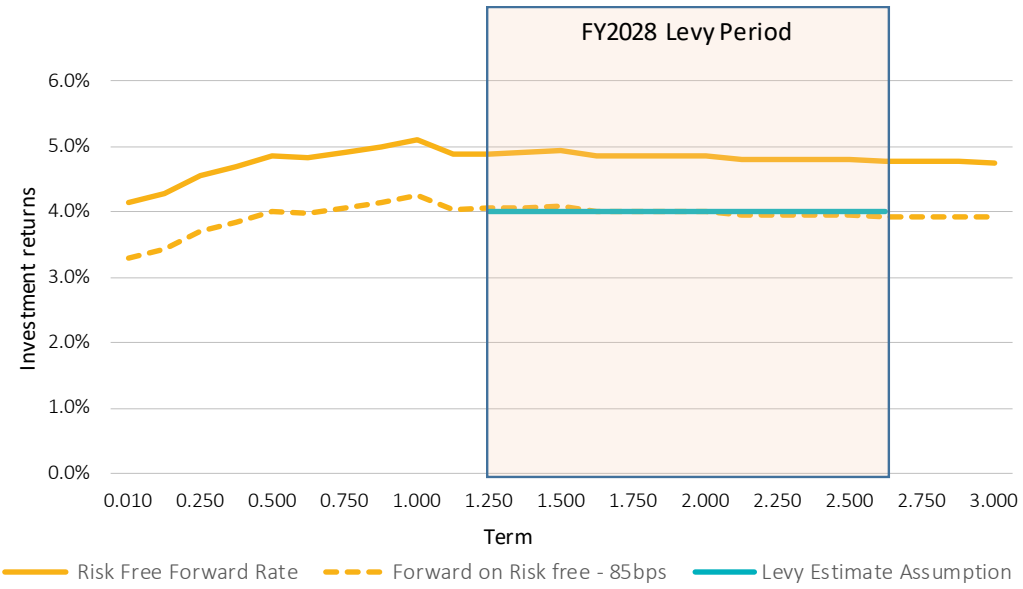
The estimated investment income is determined considering when funds are expected to be received and invested by CSLR, until they are paid to claimants or otherwise expensed. We have made several assumptions about the receipt and expenditure of levy monies for the FY2028 Levy Period, specifically:

- Annual Levy funds collected for the FY2028 Levy Period will be received before the start of the FY2028 Levy Period.[21]
- CSLR operating expenses, ASIC costs and the AFCA user charge will be incurred uniformly through the levy period.
- Receipt of any Special and/or Further Levy amounts may not occur until late in FY2028 and, as a result, no material interest income will be received on such levy amounts.

These timing assumptions are unchanged from our previous review.

Figure 7.1 shows the assumption for investment returns generated by the levy amounts to be invested.

Figure 7.1 – Assumed investment return (months from 1 September 2026 to 30 June 2028)



Current forward rates in the above figure imply an average 'risk-free' return over the FY2028 Levy Period of around 4.85%.

CSLR invests monies conservatively. CSLR has advised that most levy funds and the $5m of accumulated capital contributions (i.e. reserve) will be held in a cash management account or term deposits, to pay claims and costs in a timely manner. In consultation with CSLR, we have assumed that levy funds earn interest at a rate of about 85 basis points lower than the forward, risk-free rate over the FY2028 Levy Period. This leads to our assumption for investment income of 4.00% p.a. for FY2028.

Due to the expected short time between receipt of levy funds and payment of claims and other outgoings, investment income is expected to be limited. For the Initial Estimate for FY2028, investment income is estimated to be $0.8m. The allocation of investment income by sub-sector is shown in Table 7.1.

[21] 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.

Table 7.1 – Investment income by sub-sector ($000)

Type	Investment income
Personal Financial Advice	(344)
Credit Provision	(114)
Credit Intermediation	(109)
Securities Dealing	(275)
Total	(842)

7.3 Other levy components

The legislation prescribes that CSLR operating costs and ASIC costs be included in the Levy Estimate. Table 7.2 shows these additional levy components for the FY2028 Levy Period, by sub-sector.

Table 7.2 – Summary of additional levy components

	FY2028 levy period ($000)		
Type	CSLR operating costs	ASIC costs	Sum of other levy components
Personal financial advice	2,894	684	3,578
Credit provision	1,403	334	1,737
Credit intermediation	1,380	334	1,714
Securities dealing	1,420	334	1,754
Total	**7,097**	**1,686**	**8,783**

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, including additional technology-related costs to manage the expected number of claims for the Personal Financial Advice sub-sector.

The higher ASIC costs for Personal Financial Advice reflect the expected costs (assumed to be $350,000) incurred in collecting a Special Levy.

As CSLR's capital reserve is currently $5m, no capital recovery has been assumed for the FY2028 Levy Period.

7.4 GST and other tax considerations

The FY2028 levy estimate assumes that all relevant expenses are GST exclusive. CSLR is income tax exempt and is not required to make an allowance for income tax.

8 Recommended Initial Estimate for FY2028 Levy Period

Table 8.1 outlines our Initial Estimate for the FY2028 Levy Period, summarised by sub-sector.

Table 8.1 – Initial Estimate for the FY2028 Levy Period

	FY2028 levy period estimate											
Subsector/Financial Firm	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 FY2028 Levy Period ($000)	Excess from FY2026 (3rd) Levy Period ($000)	CSLR Levy Estimate ($000)
Personal Financial Advice: DASS	-	7	989	-	-							
Personal Financial Advice: UGC (GCPF)	173	244	33,764	2,362	-							
Personal Financial Advice: Brite	-	5	545	-	-							
Personal Financial Advice: APT Strategy	240	220	33,048	3,282	-							
Personal Financial Advice: Shield & First Guardian	1,193	1,089	85,501	16,085	-							
Personal Financial Advice: Other	205	120	13,255	2,747	-							
Personal Financial Advice	1,811	1,685	167,102	24,477	-	-	2,894	684	(344)	194,812	(5)	194,808
Credit Provision: Walker Stores	48	48	239	642	-							
Credit Provision: Other	17	11	433	227	-							
Credit Provision	65	59	672	869	-	-	1,403	334	(114)	3,165	(1,236)	1,929
Credit Intermediation	15	11	1,097	200	-	-	1,380	334	(109)	2,901	(1,315)	1,586
Securities Dealing: Capital Guard	40	66	9,962	524	-							
Securities Dealing: Remi	12	21	2,980	156	-							
Securities Dealing: Other	12	5	344	168	-							
Securities Dealing	64	92	13,286	847	-	-	1,420	334	(275)	15,613	1,168	16,781
Total	**1,955**	**1,847**	**182,157**	**26,393**	**-**	**-**	**7,097**	**1,686**	**(842)**	**216,491**	**(1,388)**	**215,104**

Across all sub-sectors, and including the FY2026 excess, the FY2028 Levy Period Initial Estimate is $215.1m. This comprises:

- $194.8m for Personal Financial Advice, including $167.1m of expected claim payments and $24.5m in unpaid AFCA fees
- $16.8m for Securities Dealing, including $13.3m of expected claim payments (most of which relates to Capital Guard)
- $1.9m and $1.6m for Credit Provision and Credit Intermediation respectively.

9 Implications of Uncertainty

This section of the report expands on the key elements of uncertainty in deriving the Initial Estimate for the FY2028 Levy Period. We also discuss the implications of uncertainty on the Estimate amounts.

9.1 Context

CSLR has been in operation for a relatively short time. The emerging experience continues to improve the understanding of how the CSLR operates in practice and interacts with AFCA and other stakeholders. For these reasons, the actuarial assumptions continue to have significant elements of reasoned judgement where direct analysis of experience is difficult or unreliable.

We acknowledge that the current legislation and regulations governing the CSLR are complex, contain elements that are yet to be fully tested, and are currently under review by Treasury. The FY2028 Initial Estimate has been prepared based on our understanding of the current legislative framework and does not explicitly reflect the proposed reforms, which remain subject to legislative enactment.

The analysis that supports this Initial Estimate is largely based on data as at 31 August 2026, more than nine months from the beginning of the FY2028 Levy Period. This adds to the uncertainty in the estimate, with significant time left prior to the start of the Levy Period for the experience or the environment to change. In particular, at the time of this Initial Estimate there is generally more uncertainty around processing volumes, as well as the ability for yet unknown, future financial failures to impact the estimates with the length of time available for them to materialise and for AFCA to respond in terms of processing capacity.

Any Revised Estimate for the FY2028 Levy Period that CSLR undertakes will be assessed closer to the beginning of the Levy Period, lowering a number of aspects of the uncertainty in respect of the estimate.

9.2 Range of CSLR claim outcomes

Informed by our consideration of the Board Policy for the FY2028 Levy Period, our assessment of a reasonable estimate is based on expected amounts without additional allowances for a significant deterioration in average claim sizes or substantially more determinations than expected. In particular, we do not consider significant, systemic market events that could lead to a large number of additional Financial Firm failures.

This section considers alternative plausible scenarios that could lead to outcome amounts that are greater or less than the estimate we have determined. Table 9.1 shows a range of plausible estimates for more uncertain areas of our estimate.

Table 9.1 – Scenarios for FY2028 Levy Period

Scenario narrative	Sub-sector	Base scenario - assumption	Low scenario - assumption and impact	High scenario - assumption and impact
Complaint processing speed	All	1,955 Determinations and 1,847 claims paid **Total FY2028 Levy Estimate: $215.1m**	1,590 Determinations and 1,482 claims paid There are plausible scenarios whereby AFCA may be restricted in their ability to progress or determine complaints. This scenario reflects AFCA's low scenario. **Total FY2028 Levy Estimate: $182.7m** **(i.e. reduction of $32.4m)**	2,243 Determinations and 2,135 claims paid Assuming that AFCA achieves its high scenario (through processing efficiencies or workload capacity). **Total FY2028 Levy Estimate: $240.7m** **(i.e. increase of $25.6m)**
Additional claims from a failure that becomes in scope for CSLR	Personal Financial Advice	1,955 Determinations and 1,847 claims paid **Total FY2028 Levy Estimate: $215.1m**	*n/a*	An additional 500 claims are paid from a failure that becomes in scope for CSLR (e.g. in the event that Interprac becomes insolvent) **Total FY2028 Levy Estimate: $259.5m** **(i.e. increase of $44.4m)**
The average size of Shield & First Guardian related CSLR claims	Personal Financial Advice	Base claim assumptions for Shield & First Guardian **SFG: $85.5m in compensation**	Reduced average claim size of $63,000 **SFG: $68.4m in compensation (i.e. reduction of $17.1m)**	Increased average claim size of $94,000 **SFG: $102.6m in compensation (i.e. increase of $17.1m)**
Walker Stores	Credit Provision	48 Determinations and 48 claims paid **Walker Stores: $0.9m (compensation + AFCA fees)**	*n/a* – there are not reasonable scenarios that would lead to a materially lower amount.	400 Determinations and 285 claims paid **Walker Stores: $5.5m (compensation + AFCA fees)** **(i.e. increase of $4.6m)**

The Initial Estimate for the FY2028 Levy Period is $215.1m. Based on the above, plausible scenarios for the FY2028 Levy Period range from around $182.7m to $259.5m. We note that, in addition to the second high scenario outlined above, there are other possible Levy Estimate outcomes above the $250m scheme cap (for example, if the first high scenario were to occur concurrently with the third high scenario).

The speed at which AFCA processes Shield & First Guardian related complaints is a key component of uncertainty in the Initial Estimate. Given the large number of open Shield & First Guardian complaints, combined with the potential for processing efficiencies to exist between them, it is possible that AFCA will be able to process materially more complaints in FY2028 than estimated in its forecasts.

There remains limited experience to inform potential claim sizes arising from Shield and First Guardian failures. We have based our estimate on information available to us on amounts invested and assumed counterfactual losses. This is further complicated by repayments of invested capital to investors that have been made by MIML and Netwealth.

The size of claim payments to be made by CSLR will depend on the mix of claims that CSLR pays during the FY2028 Levy Period. For example, the mix may be more or less weighted towards investors with higher balances, or those who have not been compensated by MIML and Netwealth, leading to higher average claim sizes.

9.3 Implications of timing uncertainty

The timing of receipt of levy monies is complicated by numerous factors, particularly the parliamentary processes that are required to seek Special Levy amounts. Recent proposed Government reforms have sought to streamline these processes by reducing the parliamentary disallowance period applicable to CSLR levy instruments from 15 sitting days to 5 sitting days. While these reforms are expected to reduce the time required to impose and collect CSLR levies, the timing assumptions adopted in this report have not been adjusted to reflect any potential acceleration arising from those reforms. The expectations for the receipt of future levy monies at the time of this report are:

- FY2028 Levy Period annual levy amounts up to the $20m sub-sector cap (i.e. the Annual Levy), would be received in June 2027.
- Amounts in respect of a Special Levy, if one is sought, may be received in the last quarter of the FY2028 Levy Period (i.e. April to June 2028).

Based on these forecast timeframes for receipt of levy monies, as well as the expectations of FY2028 Levy Period outflows outlined in Section 8, the CSLR may need to delay payment of claims in respect of the Personal Financial Advice sub-sector during FY2028. Personal Financial Advice administration costs, including AFCA unpaid fees, are estimated to well exceed the sub-sector cap of $20m in FY2028.

As is our normal practice, in our Initial Estimate for the FY2028 Levy Period we have assessed the likely claims and outgoings for CSLR on the assumption they will not be affected by any liquidity constraints from the recommended levy amounts not being available to CSLR.

9.4 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.

10 Reliance and Limitations

10.1 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 1.1 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.

10.2 Reliance and limitations

We have relied on the information provided to us as detailed in Appendix C 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.

10.3 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 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

FY 2028 Estimation Assumption Summary

Processing volumes

Segment	CSLR Eligible AFCA determinations	CSLR Payments
Personal Financial Advice: DASS	-	7
Personal Financial Advice: UGC (GCPF)	173	244
Personal Financial Advice: Brite	-	5
Personal Financial Advice: APT	240	220
Personal Financial Advice: Shield and First Guardian	1,193	1,089
Personal Financial Advice: Other	205	120
Credit Provision: Walker	48	48
Credit Provision: Other	17	11
Credit Intermediation	15	11
Securities Dealing: Capital Guard	40	66
Securities Dealing: Remi	12	21
Securities Dealing: Other	12	5
Total	**1,955**	**1,847**

Proportion of Shield and First Guardian for future complaints

Financial Firm	Shield	First Guardian	Shield and First Guardian	Non Shield and First Guardian
UGC	9%	81%	0%	10%
MWL Financial Services	98%	0%	0%	2%
Financial Services Group	23%	23%	45%	10%
Next Generation Advice	55%	0%	0%	45%

Average claim size assumptions

Average Claim Size - Outcome

Segment	FY2027 Revised Estimate ($000)	FY2028 Initial Estimate ($000)
Personal Financial Advice - DASS	142	142
Personal Financial Advice - UGC (GCPF)	139	139
Personal Financial Advice - Brite	105	105
Personal Financial Advice - APT	105	150
Personal Financial Advice - Shield and First Guardian	67	78
Personal Financial Advice - Other	103	117
Credit Provision: Walker	5	5
Credit Provision: Other	40	40
Credit Intermediation	100	100
Securities Dealing: Capital Guard	n/a	150
Securities Dealing: Remi	110	140
Securities Dealing: Other	75	75

AFCA Complaint Fees on FY2028 complaints

Type	FY2027 Revised Estimate (excluding GST)	FY2028 Initial Estimate (excluding GST)
Discontinued complaints	$ 2,393	$ 2,477
All other complaints	$ 9,948	$ 10,296

FY2028 Recoveries

Type	FY2027 Revised Estimate ($000)	FY2028 Initial Estimate ($000)
UGC	-	-
Other	-	-

FY 2028 Estimation Assumption Summary

Other Assumptions

Prob. of successful CSLR claim (for open complaints)

Type	FY2027 Revised Estimate	FY2028 Initial Estimate
UGC, Brite, Australian Fiduciaries	88%	86%
DASS, non-UGC Shield & First Guardian complaints	84%	87%
Capital Guard		100%
Walker Stores	90%	95%
Other Financial Advice	68%	68%
Other	47%	47%

Prob. of Discontinued (for open complaints)

Type	FY2027 Revised Estimate	FY2028 Initial Estimate
DASS	11%	9%
Walker Stores	10%	5%
Other	10%	10%

Investment income

Type	FY2027 Revised Estimate	FY2028 Initial Estimate
Investment income on term deposits	4.35%	4.00%
Investment income on cash management account	4.35%	4.00%

User Charge Total

	FY2027 Revised Estimate	FY2028 Initial Estimate
User Charge Total	$ 5,189,389	$ 5,891,049

B Glossary

Table B.1 outlines the definition of some of the commonly used terms in this Report.

Table B.1 – Glossary of terms

Term	Definition
'Active' Financial Firms	Financial Firms that are not currently insolvent, in administration or otherwise not trading.
AFCA	Australian Financial Complaints Authority
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 August 2026, 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.
APT Strategy	APT Strategy Pty Ltd
ASIC	Australian Securities and Investments Commission
Australian Fiduciaries	Australian Fiduciaries Limited
Brite	Brite Advisors Pty Ltd
Capital Guard	Capital Guard AU 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[22].
CSLR Ltd	Compensation Scheme of Last Resort Limited, the operator of the Scheme
DASS	Dixon Advisory and Superannuation Services Limited
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

[22] https://www.afca.org.au/news/latest-news/article-how-does-afca-calculate-loss-what-financial-advisers-need-to-know

'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
FSGA	Financial Services Group Australia
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 (1st Levy Period)
FY2025 Levy Period	Levy period from 1 July 2024 to 30 June 2025 (2nd Levy Period)
FY2026 Levy Period	Levy period from 1 July 2025 to 30 June 2026 (3rd Levy Period)
FY2027 Levy Period	Levy period from 1 July 2026 to 30 June 2027 (4th Levy Period)
FY2028 Levy Period	Levy period from 1 July 2027 to 30 June 2028 (5th 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.
MIML	Macquarie Investment Management Limited
NGA	Next Generation Advice
Offset	An offset is an amount repaid to the complainant for losses suffered. The offset amount reduces the net loss that is compensable by CSLR. An offset is comparable to a recovery, except that it is received by the complainant before a claim is paid by CSLR.
Other Financial Firms	Financial Firms apart from DASS, UGC, Brite, 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 1st Levy Period) amount was governed under Section 1069M and 1069N of the Corporations Act 2001. The amounts for FY2025 (previously referred to as the 2nd 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.
Recovery	A recovery paid to CSLR following payment of the claim amount, which reduces the net cost of a claim to CSLR. The recovery can be paid to CSLR under subrogation rights or other mechanism.
Relevant Entity	A Relevant Entity provides financial products or services in the following four 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.
Remi	Remi Investment Services Pty Ltd
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 primary 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.
Walker Stores	Walker Stores Pty Ltd

C 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
- A database of all complaints received by AFCA that AFCA has identified as being related to Shield and/or First Guardian
- 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 administration costs
- ASIC estimated administration costs
- FY2027 AFCA unpaid fee amounts for Determinations and discontinued complaints notified to 31 August 2026 by AFCA
- Public information from liquidators and administrators
- Information on relevant financial failures from ASIC

C.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 are 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 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.

C.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. In most cases the data appears to be valid.

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.

D Methodology

This section outlines our approach to estimating the FY2028 Levy Period amount, including the structure of the modelling and the approach to parameterisation.

D.1 Data and information sources

We relied on a range of data and information sources in estimating the claim costs relating to the FY2028 Levy Period amount as well as unpaid AFCA fees. These data sources, including conducted reasonableness checks, were outlined in Appendix C.

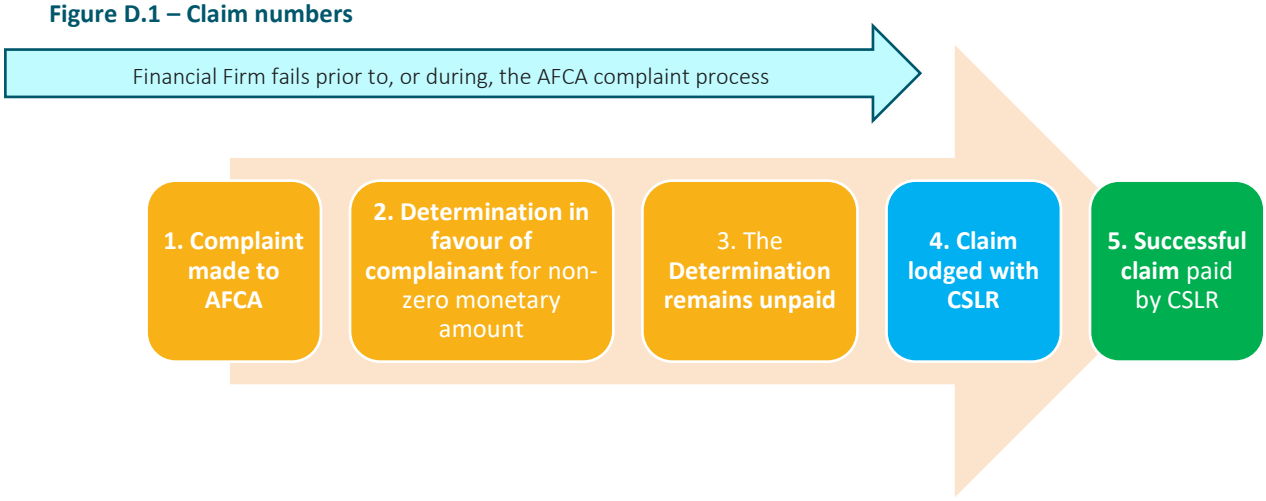
D.2 General methodology

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 4 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 in Section D.2.1. 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.

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 D.1.

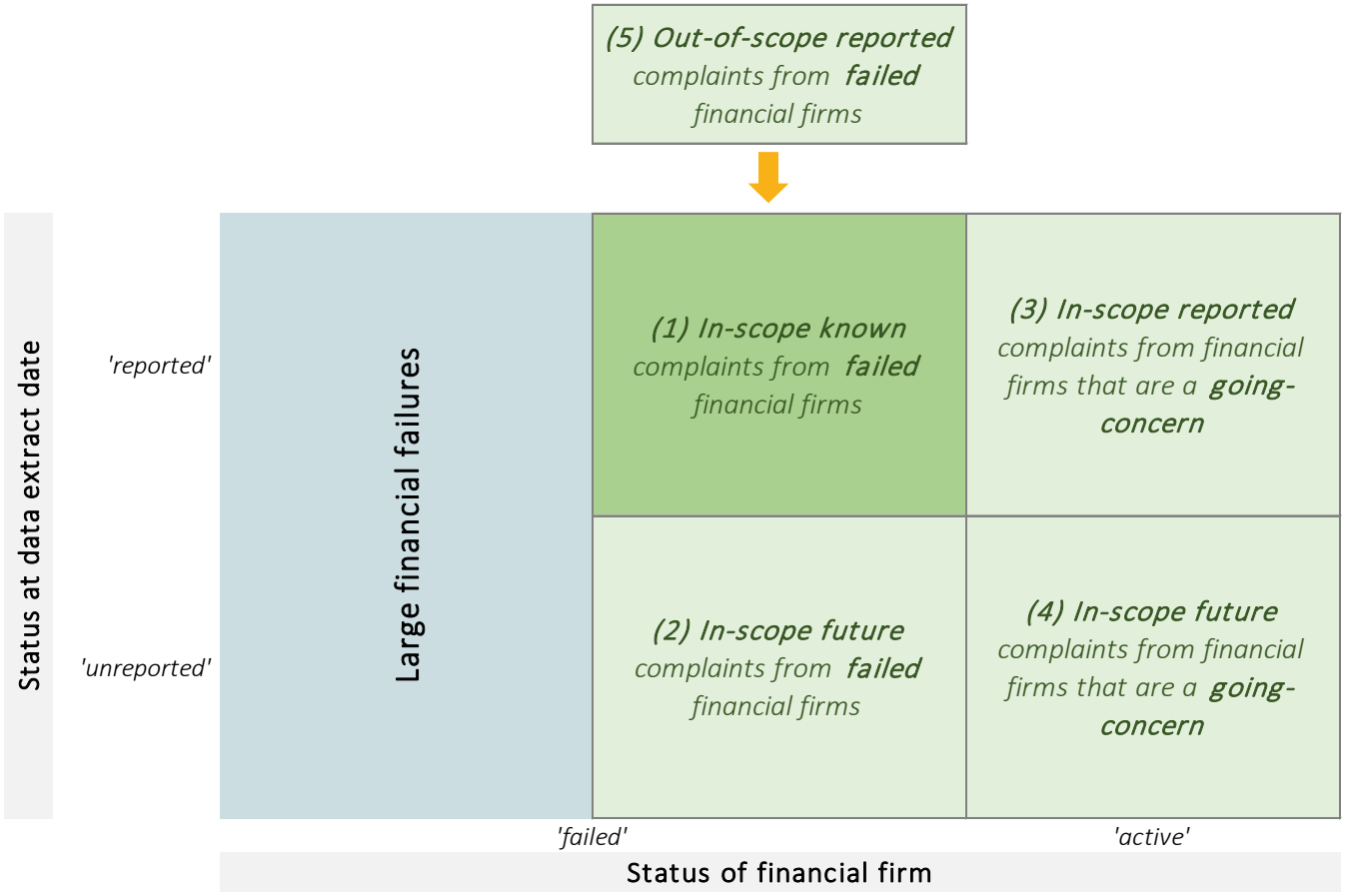
Figure D.1 – Claim numbers



D.2.1 Sources of potential claims

There are several cohorts of complaints that could ultimately lead to successful CSLR claims. Figure D.2 outlines the structure by which we have classified and considered the complaints.

Figure D.2 – Sources of Potential CSLR Claims



The most material cohort for the FY2028 Levy period is claims arising from the large financial failures.

Table D.1 summarises the modelling approach for the total number of potential CSLR claims arising from each cohort of non-large financial failures.

Table D.1 – Modelling approach of non-large financial failures

Complaint cohort	Description	Approach and assumptions considered
Group (1)	In-scope **known** complaints from already failed firms	We have relied on individual AFCA complaint and CSLR claim data to determine the number of known complaints that have not received a CSLR payment. For these open complaints, we make assumptions for: • 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 a claim is accepted by the CSLR AFCA's forecast capacity for determinations is then used as an input to estimate the number of claims to be paid in the Levy Period.
Group (2)	In-scope **future** complaints from already failed firms or events	We have considered how complaints emerge relative to the failure date[23] 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.
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 in the AFCA complaints data and applied a likelihood of the complaints arising from this financial firm 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.

[23] 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.

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

$$Total\ Cost = \sum^{\text{modelling segments}} [\{\#\textbf{Claims processed} \times \textbf{Average Claim Amount}\} + \textbf{AFCA fees} - \textbf{Recoveries}]$$

$$+ \textbf{Capital Recovery}$$

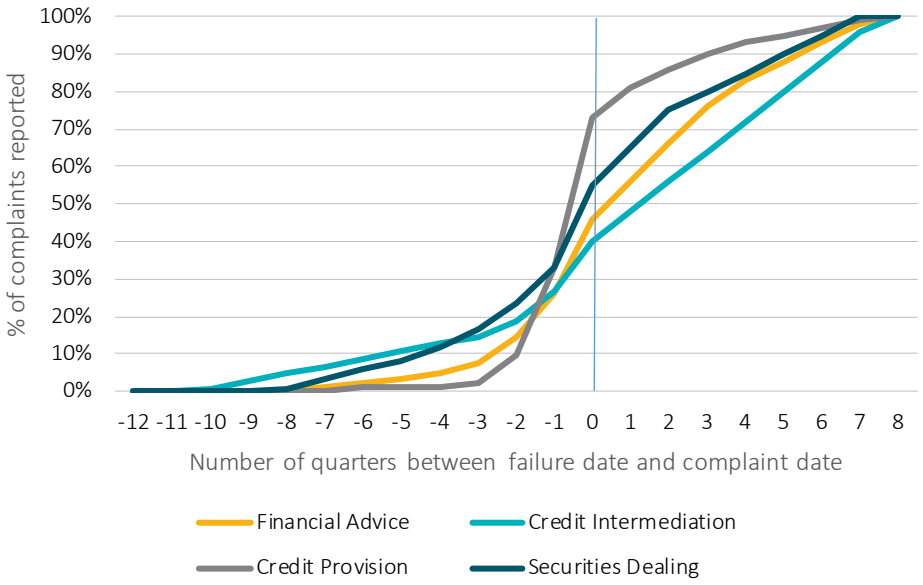
$$+ \textbf{CSLR Operating Costs}$$

$$+ \textbf{ASIC Costs}$$

D.2.2 Complaint and Claim Timing

We have assumed the development of AFCA complaints to arise from firm failures relative to the date of financial failure, considering the emergence of unresolved complaints at the date of financial failure arising before the date of financial failure. These assumptions are based on observed AFCA complaint experience over the last seven years and selected by sub-sector. We assume that all AFCA complaints will be reported within 2 years (or 8 quarters) of the failure date.

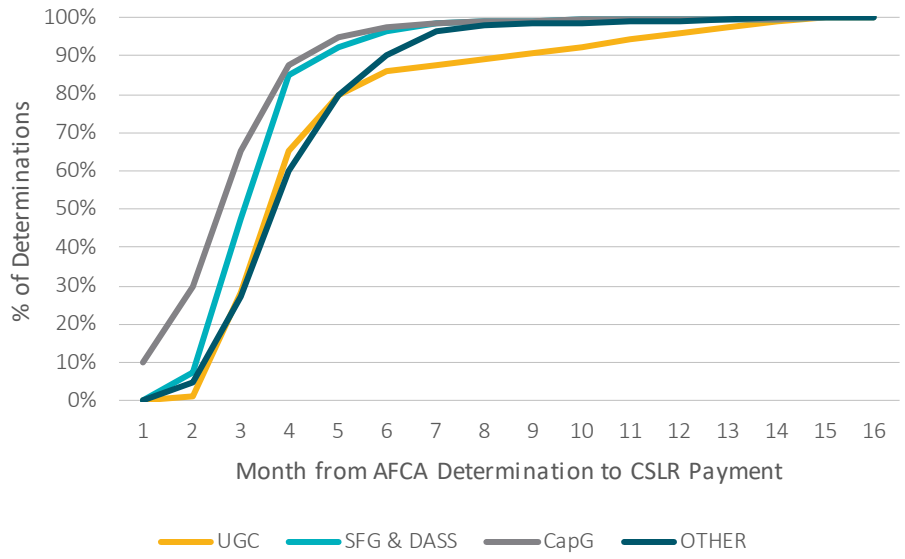
Figure D.1 – Proportion of AFCA complaints reported relative to date of financial failure



We have assumed a delay from AFCA Determinations to the time a claim is lodged with, and then ultimately paid by, CSLR, consistent with the observed experience. We have assumed that CSLR will eventually receive claims in respect of all CSLR-eligible AFCA Determinations that have been found against the Financial Firm, unless it has been more than 12 months since the AFCA Determination. For the small cohort of Determinations that have remained unpaid for more than 12 months, we have observed only limited subsequent conversion to CSLR payments.

We have made assumptions on the delay pattern for key financial failures where this was borne out in the experience as shown in Figure D.2.

Figure D.2 – Delay from AFCA Determination to CSLR Payment



D.2.3 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 a proportion of 'out-of-scope' AFCA complaints 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 its expected monthly volume of ASNs based on its planned workforce and considering the complexity of various types of complaints. It provided these expectations, broken down between large financial failures and subsectors separately to 30 June 2028. AFCA notes that the expectations are prior to commencing workforce planning and budgeting for FY2028.

D.2.4 Average CSLR Claim Payment

For non-large financial failures, we have used AFCA complaint and CSLR claim payment experience by subsector to inform our settlement size assumptions.

D.3 Potential for recoveries

The compensation ultimately paid by CSLR may be affected by a range of factors, including statutory reductions required under the *Corporations Act 2001*, recoveries and offsets reflected in AFCA Determinations, and amounts recovered after a CSLR payment has been made. This is discussed in detail in Section 7.1.

D.4 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 2022[24]. 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' fee[25] , 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 FY2028 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 6 outlines our estimate of unpaid AFCA fees relating to the FY2028 Levy Period.

D.5 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 discuss our estimate of investment income in Section 7.2.

D.6 Other Levy components

The legislation prescribes additional components to be included in levy estimates as outlined in Section 7.3. Our approach to estimating and allocating these components by sub-sector is outlined in Table D.2.

Table D.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 FY2028 Levy Period.

[24] https://www.afca.org.au/members/news/new-funding-model-comes-effect-on-1-july-2022
[25] As detailed at https://www.afca.org.au/members/funding-model/user-charge

Component	Description	Approach
CSLR Operating Costs	The CSLR operating costs expected to be incurred in each levy period are included in the levy estimate.	We were provided with expected CSLR operating costs for the 2027/28 financial year based on the projected number of claims in our Levy estimate. In CSLR's forecast operating expenses, items were separately identified as either 'fixed' or 'variable'. The fixed costs for the Personal Financial Advice are higher than other sub-sectors to reflect the additional technology-related costs to manage the expected number of claims for the sub-sector. The remaining fixed costs are spread evenly across the four sub-sectors. The variable component of the expenses was allocated to each sub-sector based on the number of CSLR claims expected to be processed during the levy period.
ASIC Costs	ASIC administrative costs	We were provided with the expected ASIC administrative costs. The ASIC costs for the personal financial advice sub-sector (as outlined in Section 7.3) are higher compared with other sub-sectors. This reflects the expected cost of administering a special levy, given the sub-sector's initial levy estimate is greater than the $20m Levy cap. We apportioned the ASIC costs equally across the other three sub-sectors.

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.

D.7 Board Policy

The estimates of the FY2028 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 18 June 2026, together with this report on 11 November 2026.

The Board Policy sets out the Board's principles in determining the FY2028 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 are expected to 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 is 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 FY2028 Levy Period amount are discussed further in Sections 1 and 9 of this report.

E Estimate of FY2028 Levy Period cost by sub-sector

The estimates in this report are the result of actuarial projections using the methodology discussed throughout the report. Amounts shown in the body of the report have been shown as rounded figures for simplicity.

Table E.1 outlines the component parts of the levy estimates for the FY2028 Levy Period, split by sub-sector and to the nearest cent. The amounts below are shown split according to parliamentary instrument specifications.

Table E.1 – Recommended FY2028 Levy Period amount

Act references	Description	Sub-sectors				Total
		Credit intermediaries	Credit providers	Licensed personal advice	Securities dealers	
Paragraph 9(1)(a)	Gross claim Payments	$1,096,767.64	$672,085.06	$167,101,565.77	$13,286,406.75	$182,156,825.22
	Recoveries	$0.00	$0.00	$0.00	$0.00	$0.00
	Compensation claims	**$1,096,767.64**	**$672,085.06**	**$167,101,565.77**	**$13,286,406.75**	**$182,156,825.22**
Paragraph 9(1)(b)(i)	**AFCA unpaid fees**	**$199,950.45**	**$868,936.77**	**$24,477,015.56**	**$847,404.54**	**$26,393,307.32**
Paragraph 9(1)(b)(ii)	CSLR's administrative costs	$1,379,801.21	$1,403,371.52	$2,894,143.77	$1,420,010.50	$7,097,327.00
	Investment income	-$109,499.79	-$113,618.52	-$344,202.23	-$274,708.03	-$842,028.57
	CSLR's administrative costs	**$1,270,301.42**	**$1,289,753.00**	**$2,549,941.54**	**$1,145,302.47**	**$6,255,298.43**
Paragraph 9(1)(b)(iii)	**ASIC's administrative costs**	**$333,952.25**	**$333,952.25**	**$683,952.25**	**$333,952.25**	**$1,685,809.00**
Paragraph 9(1)(b)(v)	**Capital reserve restoration**	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
Paragraph 9(1)(c)	**Shortfall from FY2026**	**$0.00**	**$0.00**	**$0.00**	**$1,167,756.00**	**$1,167,756.00**
Paragraph 9(2)(a)	**Excess from FY2026**	**-$1,315,266.00**	**-$1,235,615.00**	**-$4,555.00**	**$0.00**	**-$2,555,436.00**
Total		**$1,585,705.76**	**$1,929,112.08**	**$194,807,920.12**	**$16,780,822.01**	**$215,103,559.97**

F Additional information for UGC

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[26].
- 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 could not 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 Shield and First Guardian[27].

[26] 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/
[27] https://www.afca.org.au/news/latest-news/update-on-response-to-shield-and-first-guardian-collapse-including-ugc-membership-of-afca

- 5 March 2026: AFCA announced that Financial Firms involved in the collapse of Shield and First Guardian will remain AFCA members until a future date[28]. UGC's previously scheduled membership end date of 31 March 2026 no longer applies.

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.

F.1 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 other superannuation funds 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 one 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.

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 liquidators[29].

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.

[28] https://www.afca.org.au/news/latest-news/update-on-response-to-shield-and-first-guardian-collapse-including-afca-membership-of-financial-firms-in-liquidation

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