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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Corporations (Fees) Amendment (ASIC Fees) Bill 2018

National consumer Credit protection (Fees) amendment (Asic fees) bill 2018

Superannuation auditor registration imposition amendment (asic fees) Bill 2018

Superannuation industry (supervision) amendment (asic fees) bill 2018

EXPLANATORY MEMORANDUM

(Circulated by authority of the

Minister for Revenue and Financial Services, Minister for Women and Minister Assisting the Prime Minister for the Public Service the Hon Kelly O’Dwyer MP)

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Glossary

The following abbreviations and acronyms are used throughout this explanatory memorandum.

|  |  |
| --- | --- |
| Abbreviation | Definition |
| ASIC | Australian Securities and Investments Commission |
| ASIC Fees Bill | Corporations (Fees) Amendment (ASIC Fees) Bill 2018 |
| ASIC Superannuation Auditor Registration Bill | Superannuation Auditor Registration Imposition Amendment (ASIC Fees) Bill 2018 |
| Credit ASIC Fees Bill | National Consumer Credit Protection (Fees) Amendment (ASIC Fees) Bill 2018 |
| Credit Fees Act | *National Consumer Credit Protection (Fees) Act 2009* |
| Credit Fees Regulations  | *National Consumer Credit Protection (Fees) Regulations 2010* |
| Fees Act | *Corporations (Fees) Act 2001* |
| Fees Regulations | *Corporations (Fees) Regulations 2001* |
| FSI | *Financial System Inquiry*  |
| SIS Act | *Superannuation Industry (Supervision) Act 1993* |
| SIS ASIC Fees Bill | *Superannuation Industry (Supervision) Amendment (ASIC Fees) Bill 2018* |
| SMSF | Self-managed Superannuation fund  |
| Superannuation Auditor Registration Regulations | *Superannuation Auditor Registration Imposition Regulation 2012*  |

General outline and financial impact

**Amendments relating to ASIC fees**

The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill amend the *Corporations (Fees) Act 2001, National Consumer Credit Protection (Fees) Act 2009, Superannuation Auditor Registration Imposition Act 2012* and the *Superannuation Industry (Supervision) Act 1993* to allow ASIC to better align its fees, by enabling ASIC to charge a cost reflective fee for the services it provides for a specific entity.

Date of effect: The day after Royal Assent.

Proposal announced: The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Imposition Bill and the SIS ASIC Fees Bill implement the second and final phase of the Industry Funding Model for ASIC, fulfilling the Government’s commitment to implement recommendation 29 of the Financial System Inquiry announced on 20 April 2016.

Financial impact: These bills, in conjunction with the *ASIC Supervisory Cost Recovery Levy Act 2017*, the *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017* and the *ASIC Supervisory Cost Recovery Levy (Consequential Amendments) Act 2017,* will improve the underlying cash balance by $308.7 million over the forward estimates.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|                  | 2017-18 | 2018-19 | 2019-20 | 2020-21 | **Total** |
| Net impact on UCB  | -46.0 | 138.2 | 102.0 | 114.5 | **308.7** |

Human rights implications: The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill do not raise any human rights issue. See *Statement of Compatibility with Human Rights* — Chapter 2, paragraphs 2.1 to 2.4.

Compliance cost impact: The compliance cost impact of the industry funding model and additional accountability mechanisms for ASIC is an estimated $8.8 million per annum.

## Summary of regulation impact statement

### Regulation impact on business

Impact: An estimated increase of $8.8 million in compliance costs per annum for the industry funding model and additional accountability mechanisms.

Main points:

The introduction of an industry funding model and additional accountability mechanisms for ASIC will:

* promote equity as the recipients of a government activity bear its costs;
* improve the efficiency, productivity and responsiveness of government activities and accountability for those activities
* increase cost consciousness for all stakeholders by raising awareness of how much a government activity costs;
* allow ASIC to better predict, monitor, and respond to market risks, improving outcomes for consumers; and
* allow for the redirection of hundreds of millions of taxpayer dollars towards activities that benefit a broader suite of taxpayers.

While the regulatory burden of an industry funding model and additional accountability mechanisms for ASIC is an estimated $8.8 million per annum, this is small relative to industry funding’s benefits and will decline over time as processes to support additional data collection requirements become ‘business as usual’.

1. ASIC Fees

## Outline of chapter

* 1. This chapter explains the amendments in the ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill to allow ASIC to better align its fees, by enabling ASIC to charge a cost reflective fee for the services it provides for a specific entity.

## Context of amendments

* 1. On 20 April 2016, the Government accepted recommendation 29 of the Financial System Inquiry to introduce an industry funding model for ASIC.
	2. The industry funding model’s introduction will have significant benefits, including: improving equity, as only those entities that are regulated by ASIC and create the need for regulation will bear its costs, rather than ordinary taxpayers; encouraging regulatory compliance as good conduct will reduce supervisory levies; improving ASIC’s resource allocation, by providing ASIC with richer data to better identify emerging risks’ and enhancing ASIC’s transparency and accountability.
	3. On 1 July 2017, the first phase of the ASIC industry funding model commenced with the introduction of industry levies to recover the costs of ASIC’s regulatory activities.
	4. The Government has committed that ASIC’s costs for specific regulatory activities requested by an entity should be fully recovered from that entity. This is referred to as ‘fees‑for‑service’ and is the second and final phase of the ASIC industry funding model.
	5. The current fees charged for the services and activities ASIC provides is not a true reflection of the actual costs incurred by ASIC. Historically, these services and activities have only attracted a nominal fee. As a result, any difference between the fee an entity pays and the actual costs incurred by ASIC is subsidised by taxpayers.
	6. ASIC’s regulatory services primarily benefit the requesting entities, and as such the fees associated with the regulatory services will be cost recovered. The regulatory activities ASIC provides will no longer be taxpayer funded.
	7. Fees will be paid by entities for ASIC’s demand‑driven services, such as processing a licence or registration application, provided that the fee directly represents the efficient costs of providing the regulatory activity or service.
	8. The fees attached to ASIC forms relating to updating an ASIC registry database are not in scope for industry funding and will not be recovered under this model. The fees for lodging these forms will continue to be set separately.
	9. Specific fee‑for‑service activities and sectors affected by these amendments are:

|  |  |
| --- | --- |
| Activity | Affected subsectors |
| Document compliance reviews (such as prospectuses, compliance documents) | Companies (all sub‑sectors)Australian Financial Services (AFS) Licensees (all sub‑sectors) |
| Licence applications or variations | Australian Credit Licensees (all sub‑sectors)AFS Licensees (all sub‑sectors)Market infrastructure providers (all sub‑sectors) |
| Applications for registration | AFS Licensees – Managed investment schemesLiquidators (all sub‑sectors) |
| Requests for changes to market integrity rules or procedures | Market infrastructure providers (all sub‑sectors) |
| Applications for relief | All sectors and sub‑sectors |

* 1. These fee‑for‑service activities amounts will be reviewed every three years and will involve a public consultation process utilising a cost recovery implementation statement.
	2. In addition, ASIC will include industry funding on the agenda of their external committees and panels for consideration, with a particular focus on seeking feedback during the annual cost recovery implementation statement consultation process.

## Summary of new law

* 1. Schedule 1 to the ASIC Fees Bill:
* increases the caps to allow ASIC to recover the costs ASIC incurs when providing regulatory services;
* expands the definition of chargeable matter and prescribes who is liable to pay and when the liability is incurred;
* provides that the Fees Regulations may prescribe for a particular chargeable matter, whether the fee is for low, medium or high complexity;
* provides that the Fees Regulations may prescribe for a particular chargeable matter, different fees based on the type of entity;
* provides that ASIC can determine by legislative instrument whether a type of application for a particular regulatory service is low, medium or high complexity; and
* allows regulations to be made for the purposes of the Act.
	1. Schedule 1 to the Credit ASIC Fees Bill:
* provides that the Credit Fees Regulations may prescribe for a particular chargeable matter, different fees based on the type of entity.
	1. Schedule 1 to the ASIC Superannuation Auditor Registration Bill:
* increases the cap to allow ASIC to recover more closely the costs ASIC incurs when providing regulatory services in relation to SMSF auditors.
	1. Schedule 1 to the SIS ASIC Fees Bill:
* provides ASIC can charge additional fees in relation to an application to vary or revoke the conditions or cancel the registration of an approved SMSF auditor.

Comparison of key features of new law and current law

| New law | Current law |
| --- | --- |
| *Corporations (Fees) Act 2001*  |
| The Fees Regulations may prescribe a fee for a chargeable matter by specifying an amount; however the specified amount may not exceed $200,000. | The Fees Regulations may prescribe a fee for a chargeable matter by specifying an amount; however the specified amount may not exceed $10,000. |
| The fee or sum of fees for a chargeable matter may not exceed $300,000, except for services in relation to a market licensee and dealing with potential conflict. The total fee may in relation to a market licensee and dealing with potential conflict may not exceed $300,000 in a 12 month period. | The fee or sum of fees for a chargeable matter may not exceed $50,000, except for services in relation to a market licensee and dealing with potential conflict. The total fee in relation to a market licensee and dealing with potential conflict may not exceed $100,000 in a 12 month period.  |
| The Fees Regulations may prescribe for a particular chargeable matter, whether the fee is for low, medium or high complexity.The Fees Regulations may prescribe for a chargeable matter a different fee for different entity types. | No equivalent  |
| ASIC may by legislative instrument determine whether a type of application for a particular regulatory service that is to be charged is considered low, medium or high complexity.  | No equivalent  |
| The definition of chargeable matter has been expanded to include things done under the *Life Insurance Act 1995,* the *Insurance Act 1973* and the SIS Act by ASIC and prescribes who is liable to pay and when the liability is incurred. | The definition of chargeable matter includes things done under the Corporations Act by ASIC and prescribes for all chargeable matters, who is liable to pay and when the liability is incurred.  |
| In addition to the current law, the Governor-General may make regulations for the purposes of section 7 of the Fees Act.  | The Governor-General may make regulations for the purposes of sections 5, 5A and 6 of the Fees Act.  |
| *National Consumer Credit Protection (Fees) Act 2009* |
| The Credit Fees Regulations may prescribe for a chargeable matter a different fee for different entity types. | No equivalent  |
| *Superannuation Auditor Registration Imposition Act 2012* |
| The Superannuation Auditor Registration Regulations *may* prescribe a fee by specifying an amount; however the specified amount may not exceed $3,000. | The Superannuation Auditor RegistrationRegulations may prescribe a fee by specifying an amount; however the specified amount may not exceed $1,000.  |
| *Superannuation Industry Supervision Act 1993* |
| In addition to the current law, ASIC may recover costs in relation to an application to vary or revoke the conditions or cancel the registration of an approved SMSF auditor.  | ASIC may recover costs in relation to an application for registration to be an approved SMSF auditor.  |

## Detailed explanation of new law

* 1. The ASIC Fees Bill and the ASIC Superannuation Auditor Registration Bill amend the Fees Act and the *Superannuation Auditor Registration Imposition Act 2012* to allow the caps to increase to allow ASIC to better align its fees to allow cost recovery of the costs ASIC incurs when providing regulatory services to a particular entity.
	2. The ASIC Fees Bill and the Credit ASIC Fees Bill amend the Fees Act and the Credit Fees Act to allow that the Fees Regulations and the Credit Fees Regulations may prescribe, for a chargeable matter, a different fee for different entity types. The ASIC Fees Bill also amends the Fees Act to provide that the Fees Regulations may prescribe, for a chargeable matter, whether the fee is for low, medium or high complexity.
	3. The ASIC Fees Bill amends the Fees Act to enable a legislative instrument power to allow ASIC to determine the criteria for whether a type of application for a particular regulatory service that is to be charged is low, medium or high complexity. In the event that the legislative instrument is not made, the default fee will be the lowest fee in that category.
	4. The ASIC Fees Bill also amends the Fees Act to expand the definition of chargeable matter to include things done under the *Life Insurance Act 1995*, the *Insurance Act 1973* and the SIS Act and also to provide who is liable to pay and when the liability is incurred for those new chargeable matters. The ASIC Fees Bill also amends the Fees Act to prescribe that regulations can be made for the purposes of section 7 of the Fees Act.
	5. Schedule 1 to the SIS ASIC Fees Bill amends the SIS Act to allow ASIC to recover costs in relation to an application to vary or revoke the conditions or cancel the registration of an approved SMSF auditor.

***Amendments to the Caps***

* 1. When ASIC provides a regulatory service to a requesting entity for chargeable matters, such as reviewing the lodgement or registration of a document for the purposes of the Corporations Act, there is a fee associated with the service. For example there is a fee associated with lodging an Australian financial services licence (AFSL) application. The majority of the fees are imposed under the Fees Act and specified in the Fees Regulations. The fees prescribed in the Fees Regulations will closely reflect the actual costs ASIC incurs when providing regulatory services.
	2. The Fees Act specifies that the Fees Regulations may prescribe a fee for a chargeable matter by specifying an amount; however the specified amount may not exceed a certain limit:
* The $10,000 cap will increase to $200,000;
* the $50,000 cap will increase to $300,000; and
* the $100,000 cap will increase to $300,000.
	1. The $10,000 cap will increase to $200,000 to allow ASIC to better align its fees to ensure cost recovery of the costs ASIC incurs when providing regulatory services. The new cap will ensure ASIC’s regulatory services are cost recovered by the requesting entity and that the specified amount for a chargeable matter will not exceed the $200,000 cap. [ASIC Fees Bill, Schedule 1, item 7, paragraph 6(1)(a) of the Fees Act]
	2. The $50,000 cap will increase to $300,000, to allow ASIC to better align its fees to ensure cost recovery of the costs ASIC incurs when providing regulatory services. The new cap will ensure ASIC’s regulatory services are cost recovered by the requesting entity and that the fee or sum of fees for a chargeable matter will not exceed the $300,000 cap. [ASIC Fees Bill, Schedule 1, item 8, subsection 6(3) of the Fees Act]
	3. The $100,000 cap will increase to $300,000, to allow ASIC to better align its fees to ensure cost recovery of the costs ASIC incurs when providing regulatory services. The new cap will ensure ASIC’s regulatory services are cost recovered by the requesting entity and that the fee or total of the fees for chargeable matters in relation to market licenses will not exceed the $300,000 cap in a 12 month period. [ASIC Fees Bill, Schedule 1, item 9, subsections 6(4) and 6(5) of the Fees Act]
	4. Fees relating to credit activities are imposed under the Credit Fees Act and specified in the Credit Fees Regulations. No amendments are required to the cap in the Credit Fees Act, as the updated fees will not exceed the current cap limits.
	5. Fees relating to auditors of SMSF fees are imposed under the *Superannuation Auditor Registration Imposition Act 2012* and specified in the Superannuation Auditor Registration Regulations:
* The $1,000 cap will increase to $3,000.
	1. The $1,000 cap will increase to $3,000 to allow ASIC to better align its fees to ensure cost recovery of the costs ASIC incurs when providing their regulatory services, for example in relation to applications to be a SMSF auditor. [ASIC Superannuation Auditor Registration Bill, Schedule 1, item 1, paragraphs 4(2)(a) and (b) of the Superannuation Auditor Registration Imposition Act 2012]
	2. The increase of the caps and the cumulative caps in the Fees Act and *Superannuation Auditor Registration Imposition Act 2012* will allow the fees in the Fees Regulations and Superannuation Auditor Registration Regulations to increase to closely reflect the costs ASIC incurs when providing regulatory services. This ensures the costs are borne by the requesting entity and not funded by taxpayers. Regulatory activities are for the benefit of the requesting entity and as such will be cost recovered.

***Amendments to provide the Fees Regulations and the Credit Fees Regulations may differentiate fees***

* 1. The Fees Regulations may provide whether a chargeable matter is of low, medium or high complexity. Certain chargeable matters will have a different fee, based on the complexity involved. Allowing the Fees Regulations to prescribe a different fee based on the complexity will allow ASIC to closely reflect the cost incurred by ASIC in the fees it charges. [ASIC Fees Bill, Schedule 1, item 6, subsection 5A(2) of the Fees Act]
	2. The Fees Regulations and the Credit Fees Regulations may provide different fees for a chargeable matter based on the type of entity. Certain entity types may require more time and resources from ASIC to assess their application. Allowing the Fees Regulations and the Credit Fees Regulations to prescribe different fees based on the entity type will allow ASIC to closely reflect the cost incurred by ASIC in the fees it charges. [ASIC Fees Bill, Schedule 1, item 6, subsection 5A(3) of the Fees Act and Credit ASIC Fees Bill, Schedule 1, item 1, section 8A of the Credit Fees Act]

#### Amendment to provide ASIC with a legislative instrument making power

* 1. A legislative instrument making power will enable ASIC to determine the criteria for whether a type of application for a particular service that is to be charged will be low, medium or high complexity. [ASIC Fees Bill, Schedule 1, item 6, subsection 5A(4) of the Fees Act]
	2. ASIC will be able to apply tiered fees based on the complexity of the matter and having regard to any other matter in relation to the entity by whom a fee is payable to enable imposition of different fees depending on the type of application.
	3. Allowing ASIC the ability to determine the criteria and the complexity via legislative instrument ensures ASIC will be able to better recover the costs of its regulatory activities. This will ensure entities will pay the appropriate fee based on the complexity of the transaction for the service ASIC provides.
	4. ASIC is best placed to determine the criteria for whether a type of application for a particular service is considered low, medium or high complexity, as ASIC is the regulator administering the service and knows the complexity involved in assessing the application, and therefore the costs involved.
	5. The actual fees will still be prescribed in the Fees Regulations. The fees prescribed in the Fees Regulations will closely align with ASIC’s actual costs. The legislative instrument will ensure entities will know which tier they belong in prior to submitting their application for ASIC’s regulatory services. This ensures entities will know what fee they will be required to pay for ASIC’s regulatory services.
	6. The Fees Regulations will determine which fee is payable based on the complexity, the entity type and whether the document is lodged electronically or by paper format.
	7. In the event that ASIC does not make its legislative instrument in time or if its legislative instrument is disallowed by Parliament, the fee to be charged for services that have a low, medium or high complexity will be the lowest fee for that service. This will provide the default fee to be of low complexity if there is no ASIC legislative instrument. [ASIC Fees Bill, Schedule 1, item 6, subsection 5A(5) of the Fees Act]
	8. As the Fees Regulations, the Credit Fees Regulations and the Superannuation Auditor Registration Regulationsare subject to disallowance, there will be appropriate Parliamentary scrutiny of the Fees prescribed.

#### Amendments to the Fees Act

* 1. The definition of chargeable matter has been expanded to include things done under the *Life Insurance Act 1995* and the *Insurance Act 1973*. This is to allow ASIC to recover fees relating to lodging a scheme document under the *Life Insurance Act 1995* or *Insurance Act 1973* for when a scheme for transfer and amalgamation of life or general insurance business is confirmed. The definition of chargeable matter is expanded to allow ASIC to recover the costs in relation to those lodgements. [ASIC Fees Bill, Schedule 1, item 3, subsection 4(1) of the Fees Act]
	2. The definition of chargeable matter has been expanded to allow ASIC to charge a fee in relation to applying for an exemption from or modification of certain provisions under Part 29 of the SIS Act. Part 29 of the SIS Act provides that ASIC as the appropriate regulator may exempt a person or class of persons from those modifiable provisions under its administration. These include:
* a provision of part 3 (which relates to operating standards);
* a provision of Part 19 (which relates to public offer entities and superannuation interests); and
* a provision of any regulations made for the purposes of those modifiable provisions under ASIC’s administration. [ASIC Fees Bill, Schedule 1, item 3, subsection 4(1) of the Fees Act]
	1. As the definition of chargeable matter has been expanded to include things done under the *Life Insurance Act 1995*, the *Insurance Act 1973* and the SIS Act, Section 7 of the Fees Act has been amended to provide for who is liable to pay and when that liability is incurred. For a lodgement of a document under the *Life Insurance Act 1995* and the *Insurance Act 1973*, the person who lodges the document will be liable to pay and the liability is incurred when the document is lodged. For an application for an exemption under the SIS Act, the person who lodges the application will be liable to pay and the liability is incurred when the application is lodged. [ASIC Fees Bill, Schedule 1, item 10, paragraphs 7(1)(m) and 7(1)(n) of the Fees Act]
	2. Regulations can be made for the purposes of section 7 of the Fees Act. Section 7 of the Fees Act determines the person or entity’s liability for a chargeable matter. This amendment will allow the Governor-General to make regulations for the purposes of sections 5, 5A, 6 and 7 of the Fees Act.[ASIC Fees Bill, Schedule 1, item 11, section 8 of the Fees Act)

#### Amendments to the SIS Act

* 1. The SIS Act is amended to allow the Superannuation Auditor Registration Regulations to provide for two new fees in relation to an application to vary or revoke the conditions or cancel the registration of an approved SMSF auditor. [SIS ASIC Fees Bill, Schedule 1, item 1, subsection 128L(1) of the SIS Act].

## Consequential amendments

* 1. As the scope of the regulation-making power will now provide for different fees based on the type of entity and the complexity of the activity for the Fees Act and entity type for the Credit Fees Act, headings and section numbering have been updated to reflect how the Fees Regulations and the Credit Fees Regulations can differentiate the fees. [ASIC Fees Bill, Schedule 1, items 4 and 5, section 5A (heading) and section 5A of the Fees Act and Credit ASIC Fees Bill, Schedule 1, item 2, section 10 of the Credit Fees Act]
	2. As the concept of chargeable matter now includes things done under the *Life Insurance Act 1995*, the *Insurance Act 1973* and the SIS Act, the reference to the *Corporations Act 2001* has been removed to reflect that the fees imposed are chargeable matters, and that the fees can be done by the Act, to which a chargeable matter relates. [ASIC Fees Bill, Schedule 1, items 1 and 2, title and section 3 of the Fees Act]

## Application and transitional provisions

* 1. The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill will commence the day after Royal Assent.
1. Statement of Compatibility with Human Rights

## Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

### *ASIC Fees*

* 1. The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

### Overview

* 1. The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill:
* increase the caps to allow ASIC to recover the costs ASIC incurs when providing regulatory services;
* expand the definition of chargeable matter to provide for new fees ASIC can charge in relation to things done under the *Life Insurance Act 1995,*the *Insurance Act 1973* and the SIS Act and prescribes who is liable to pay and when the liability is incurred;
* provide that the Fees Regulations and the Credit Fees Regulations may prescribe for a particular chargeable matter, different fees based on the entity type
* provide that the Fees Regulations may prescribe for a particular chargeable matter, whether the fee is for low, medium or high complexity;
* provide that ASIC can determine by legislative instrument, whether a type of application for a particular regulatory service is low, medium or high complexity;
* allow regulations to be made for the purposes of the Acts; and
* provide ASIC can charge additional fees in relation to an application to vary or revoke the conditions or cancel the registration of an approved SMSF auditor.

### Human rights implications

* 1. The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill do not engage any of the applicable rights or freedoms.

### Conclusion

* 1. The ASIC Fees Bill, the Credit ASIC Fees Bill, the ASIC Superannuation Auditor Registration Bill and the SIS ASIC Fees Bill are compatible with human rights as they do not raise any human rights issues.