

Australian Securities and Investments Commission
Answers to Questions On Notice
Parliamentary Joint Committee on Corporations and Financial Services

Agency	Australian Securities and Investments Commission
Question No.	QoN 021
Written/Spoken	Written
Topic	ASIC industry funding levy in the financial advice sector
Committee member	Mr Andrew Wallace MP

Question:

Regarding information provided by ASIC to this committee on 19 March 2021 and the Senate Economics Legislation Committee on 25 March 2021 on the ASIC industry levy in the financial advice sector:

QoN021-01

Please clarify the proportionate differences in the level of ASIC regulatory activity between big institutions and independent advisers.

QoN021-02

Please clarify the levies charged to independent financial advisers and big institutions with financial advisers and how the levies have changed over time.

QoN021-03

Please set out the causes of changes in the levies and any delay factors?

QoN021-04

Please set out the discretion that ASIC and the Minister have in the level and timing of levies in the financial advice sector.

QoN021-05

When will the impact of the FASEA changes on levies be known?

Answer:

QoN021-01

Please clarify the proportionate differences in the level of ASIC regulatory activity between big institutions and independent advisers.

The levy for licensees who provide personal advice on relevant financial products to retail clients comprises:

- (a) a fixed component of \$1,500 per licensee; and
- (b) a graduated levy component calculated by reference to the number of advisers authorised by the licensee.

The graduated component of the levy subsector ensures that smaller businesses pay a proportionately smaller share of ASIC's costs compared with larger financial institutions.

In 2019-20, approximately 31% of ASIC's costs to regulate this subsector were borne by the largest 20 licensees out of the total of 2,991 licensees.

QoN021-02

Please clarify the levies charged to independent financial advisers and big institutions with financial advisers and how the levies have changed over time.

There are four financial advice subsectors under the ASIC Industry Funding Model. The table below outlines how much the industry levy has changed from 2017-18, when the model was first introduced, to 2019-20.

Financial Advice Subsector	2017-18 Financial Year	2018-19 Financial Year	2019-20 Financial Year
Licensees that provide personal advice to retail clients on relevant financial products	Minimum levy of \$1,500 plus \$934 per adviser	Minimum levy of \$1,500 plus \$1,142 per adviser	Minimum levy of \$1,500 plus \$2,426 per adviser
Licensees that provide personal advice to retail clients on products that are not relevant financial products	\$1,905	\$200	\$2,064
Licensees that provide general advice only	\$592	\$723	\$2,081
Licensees that provide personal advice to wholesale clients only	\$547	\$114	\$29

As set out in response to Question 1, the levy for licensees who provide personal advice on relevant financial products to retail clients comprises a fixed levy of \$1,500 per licensee plus a graduated levy based on the number of advisers authorised by the licensee.

This means that, regardless of size, licensees in this subsector will pay a levy depending on the number of advisers they authorise to provide personal advice on relevant products to retail clients.

QoN021-03

Please set out the causes of changes in the levies and any delay factors?

The increase in 2019-20 levies for the '*Licensees that provide personal advice on relevant financial products to retail clients*' subsector has largely been due to additional funding that ASIC received in relation to the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Royal Commission) and a related increase in ASIC's costs.

The Government increased ASIC's budget by \$404 million over four years in the 2019-20 Budget in response to the Royal Commission findings. The additional funding was provided to ASIC to provide capacity for ASIC to meet the level of regulatory activity expected by the community and Government in response to conduct within the financial services industry. The Government agreed at the time of increasing ASIC's budget that the additional funding would be recovered under ASIC's industry funding arrangements.

Against this backdrop of additional funding and increase in ASIC costs, the total number of financial advisers decreased 17% from 24,919 in 2018-19 to 21,308 in 2019-20.

A combination of an increase in total costs to be recovered, and a decrease in the number of advisers year on year, resulted in the graduated levy component increase from \$1,142 in 2018-19 to \$2,426 per adviser in the 2019-20.

Where ASIC is successful in court, any costs awarded and paid to ASIC will be credited to the relevant subsector(s), with the levy for those subsectors reduced accordingly. There is likely to be a delay between when costs are incurred and when costs are recovered, which means levies for one financial year will include ASIC's enforcement costs, but with any crediting of costs likely to occur in another financial year.

The costs for 2019-20 financial year are recovered in the following year (2020-21) from those licensees that participated in the sector during 2019-20.

QoN021-04

Please set out the discretion that ASIC and the Minister have in the level and timing of levies in the financial advice sector.

ASIC administers the industry funding arrangements in accordance with the requirements prescribed in relevant Acts and Regulations. ASIC consults on these arrangements each year through the annual Cost Recovery Implementation Statement (CRIS). ASIC's CRIS is approved by the Treasurer and the Finance Minister. Once the post consultation CRIS is published, ASIC can issue levy invoices.

ASIC, as an independent regulator, has discretion over the allocation of resources. ASIC's strategic planning framework is designed to monitor our operating environment, identify threats and behaviours that lead to harm (through our threats, harms and behaviours framework), and prioritise those harms that need to be addressed.

ASIC has the discretion to waive levies in exceptional circumstances. ASIC also considers applications to pay levies via a payment plan in cases of financial hardship.

QoN021-05

When will the impact of the FASEA changes on levies be known?

ASIC has not yet been provided with additional resources to fund the new Single Disciplinary Body (SDB) for financial advisers and the functions of the Financial Adviser Standards and Ethics Authority (FASEA), such as exam administration.

The legislation to set up and implement the SDB is still being developed by the Government. Notwithstanding this, ASIC has commenced discussions with the Treasury about the cost implications for ASIC of taking on the role of the SDB and some of the FASEA functions.