

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: ASIC

Question: AET 39

Topic: Licensee structure

Reference: Hansard page no. 99 - 25 February 2015

Senator: O'Neill, Deborah

Question:

Senator O'NEILL: Thank you. I will go the licensee structure because much has been said about the licensing and who is responsible for reporting to ASIC, the licensee. There is a series of employed people underneath that licensee. We had some discussions about this in the PJC. We have had assertions that there are only four licences held, for example, by one of the big banks and underneath that hundreds of advisers operate. Could you make clear to the committee what the structure is for NAB? How many licences does NAB have and how many advisers are underneath those licences?

Ms Macaulay: The answer to your question, from my briefing, is that they have six licences and there are about 1,700 advisers.

Senator O'NEILL: There are six licences and 1,700 advisers. What do they pay for those licences to ASIC every year?

Mr Kell: We would have to take that on notice.

Senator O'NEILL: You can take that on notice.

Mr Kell: I think we should also take the opportunity just to make sure we have those figures right about the number of licences and planners.

Mr Tanzer: The licences that they would have would also go to managed investment schemes and other types of relations for which they need an AFS licence.

Senator O'NEILL: So, a bit of a detailed analysis of the cost for them to establish that model; clearly, it is pretty murky in terms of having a look at who is in and who is out.

Mr Medcraft: We will take it on notice.

Senator O'NEILL: And how much they make.

Answer:

ASIC requires that a person carrying on a business of providing financial services, must hold an AFS licence (unless exempt or authorised to provide those services as a representative of another person who holds an AFS licence).

There is no ongoing fee for an AFS licensee to hold a licence; however, there is an initial application fee for an individual AFS licence of \$871.

Notwithstanding this, there are certain changes to a licence which may call for additional fees. Examples of common changes to licences are outlined in the table below.

The fees for a licence application go into the Consolidated Revenue Fund.

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Additional Estimates
2014 - 2015

AFS licence

Note: The form numbers appearing in italics refers to an internal ASIC reference number and not a prescribed form. Item numbers refer to Sch 1 of the Corporations (Fees) Regulations 2001.

What do you want to do?	Use form:	from 1 July 2014:	Notes:	
Apply for an individual AFS licence online	<i>FS01</i>	\$871		Item 1(b)
Apply for a corporate, partnership or trustee AFS licence online	<i>FS01</i>	\$1567		Item 1(a)
Apply for an individual AFS licence on paper	<i>FS01</i>	\$871		Item 1(b)
Apply for a corporate, partnership or trustee AFS licence on paper	<i>FS01</i>	\$1567		Item 1(a)
Vary AFS licence conditions—applying online	FS03	\$262		Item 1A(a)
Vary AFS licence conditions—applying on paper	FS03	\$308		Item 1A(b)
Notify change of details of AFS licensee	FS20	No fee	Late fee applies after 10 business days after change	
Apply to ASIC to declare person regulated by approved foreign regulatory body exempt from the requirement to hold an AFS licence	FS10 <i>FS10B</i>	No fee		Item 27C
Apply to ASIC to declare body corporate, partnership or non-corporate trustee exempt from the requirement to hold an AFS licence	FS10 <i>FS10C</i>	\$308		Item 4A(a)
Apply to ASIC to declare an individual exempt from the requirement to hold an AFS licence	FS10 <i>FS10D</i>	\$171		Item 4A(b)

An AFS licensee's business may include the provision of financial product advice to clients, dealing in a financial product, making a market for a financial product, operating a registered scheme, providing a custodial or depository service and providing traditional trustee company services. There are about 5172 licensees currently on our register, of those, only about 3412 provide personal retail advice.

ASIC assesses applications for AFS licences as part of our role as regulator of the financial services industry. However, the licensee's *business structure* is a decision that is made by the licensee. It will depend on various factors such as the group structure, the reasons for the existence of the licence and how the licensee wants to use the licence. A licence may also be obtained through a business expansion, mergers and acquisitions and so forth. In our experience, the structure of large organisations that hold licences varies.

The questions concerning the cost to NAB to establish its business model, or the profit that NAB makes from its licence structure, are questions that NAB is best placed to answer. ASIC does not have this information.

Comment on the number of licences and planners that NAB has:

At Senate Estimates, we said that NAB has 6 licences and 1,700 Authorised Representatives (ARs). In addition to this, under the National Australia Bank Group of companies, ASIC records show there are a further 15 AFS licences that nominate NAB as their ultimate holding company. Twelve of the 21

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

NAB AFS Licences have authorisations to provide financial product advice to retail clients. As at 1 March 2015 NAB had 1791 ARs, these ARs are spread across only 5 of the NAB AFS licences.