

**SENATE STANDING COMMITTEE ON ECONOMICS QUESTION**  
**(Supplementary Budget Estimates 20 October – 21 October)**

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**Question: SBT 9**

**Topic: ASIC Guidelines**

Senator Abetz asked:

Given that under the ASIC guidelines a credit licence will not be issued if the licence holder has less than five years experience in the financial industry, if a currently registered business which was registered with ASIC in 2008 whose licence holder has only two years experience in the financial industry continue to operate? If so, please outline how?

If not, why not, particularly if this company has a clear record of good business practice incorporating all legislative guidelines?

**Answer:**

The licensing regime under the National Credit Act requires a licensee to maintain the organisation's competence to engage in the credit activities authorised by the credit licence: s47(1)(f). These obligations, along with a clear record of good business practice are one of many that an applicant must meet to be licensed.

ASIC assesses compliance with this obligation by looking at the qualifications and experience of the people who manage a credit business, namely those people who are required under the National Credit Act to meet a 'fit and proper' test, or a subset of those people. These people are responsible managers and can include officers and employees of company licensees.

ASIC has issued Regulatory Guide 206 – Credit Licensing: Competence & Training which describes the minimum competencies to obtain an Australian Credit Licence.

Regulatory Guide 206 requires a credit licence applicant to have responsible managers with at least two years relevant problem-free experience and either:

1. a credit industry qualifications to at least the Certificate IV level; or
2. another general relevant higher level qualification (e.g. a diploma or university degree).

During a transition period that ends on 30 June 2014, ASIC will accept responsible managers who do not have relevant qualifications:

1. but have two years relevant problem-free experience where the applicant intends to provide credit assistance (eg acting as an intermediary); or
2. five years relevant problem-free experience where the applicant intends to provide credit.

ASIC recognised that lending industry has traditionally not been subject to qualification requirements, either under statutory requirements, or as one of the membership conditions of an industry body. ASIC has amended the assessment process to enable responsible managers to meet the minimum competency requirements post 31 December 2010. In addition ASIC has worked with Industry to encourage the development of additional courses to assist Lenders.

Lenders with more than two years and less than five years experience may take one of the following options open to them to become competent as soon as possible, i.e:

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- a. they may choose to complete the Certificate IV in Financial Services (Credit Management) or Financial services (Finance/Mortgage broking) now; or
- b. they may wait to complete the new micro-lending qualification early next year.

31 December 2010 and ASIC will keep these applications open until the course is completed. These courses must be completed by 30 June 2011 as legislation automatically cancels registration after that date. As part of exercising this discretion the applicant must satisfy ASIC that it is making bona fide efforts to meet the qualification requirements.

If these applicants are currently registered they would be able to continue to carry on their credit business until they have completed the course and obtained their credit licence.

ENDS