

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.	QoN025-01
Written/Spoken	Written
Topic	IFM Levy
Committee member	Andrew Wallace MP

Question:

1. Correspondence to the committee has claimed that financial advice licensees which are SMEs are unfairly required to pay high levies that have risen due to misconduct by large licensees.

- a. Would ASIC please comment on the accuracy of the above claim.
- b. Please provide a plain English description of the SME definition that ASIC is using, with a reference to the legislated definition.

Answer:

1. Correspondence to the committee has claimed that financial advice licensees which are SMEs are unfairly required to pay high levies that have risen due to misconduct by large licensees.

a. Would ASIC please comment on the accuracy of the above claim.

ASIC is not aware of the specific correspondence to which the question refers.

ASIC's response to QON 021-01 stated the following:

"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."

This statement was intended to illustrate that the graduated component of the levy is designed to ensure that smaller businesses pay a proportionately smaller share of ASIC's costs compared with larger financial institutions

As previously stated in response to QON 021-01, under the ASIC industry funding model, 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.

b. Please provide a plain English description of the SME definition that ASIC is using, with a reference to the legislated definition.

ASIC has not adopted an SME definition for the purposes of the ASIC industry funding model.

An SME is not defined in the *ASIC Supervisory Cost Recovery Levy Act 2017*, *ASIC Supervisory Cost Recovery Levy (Collection) Act 2017* and the accompanying regulations. As such, ASIC cannot apply this definition when administering the industry funding model.

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.	QoN025-02
Written/Spoken	Written
Topic	IFM Levy
Committee member	Andrew Wallace MP

Question:

The following questions seek ASIC data to clarify QoN025-01.

1. Please name the 20 largest financial advice licensees.
2. In 2019-20, what percentage of the financial adviser population work for:
 - a. the 20 largest licensees;
 - b. licensees that are SMEs; and
 - c. the rest of the licensees?
3. In 2019-20, what percentage of ASIC's cost to regulate financial advice applied to:
 - a. the 20 largest licensees [It is noted that ASIC's answer in QoN021-01 indicated that in 2019-20, approximately 31% of ASIC's costs to regulate the financial advice sector were borne by the largest 20 licensees];
 - b. licensees that are SMEs; and
 - c. the rest of the licensees?
4. In 2019-20, what percentage of the industry levies is charged to:
 - a. the 20 largest licensees;
 - b. licensees that are SMEs; and
 - c. the rest of the licensees?
5. Does the calculation of the industry levy take into account differences in the level of misconduct between:
 - a. the largest 20 licensees;
 - b. licensees that are SMEs; and
 - c. the rest of the licensees?

Answer:

1. Please name the 20 largest financial advice licensees.

The 20 largest financial advice licensees based on the leviable amount per entity for the 2019-20 financial year are:

AMP FINANCIAL PLANNING PTY LIMITED
SMSF ADVISERS NETWORK PTY LTD
SYNCHRONISED BUSINESS SERVICES PTY LTD
CHARTER FINANCIAL PLANNING LIMITED
MORGANS FINANCIAL LIMITED
MERIT WEALTH PTY LTD
GWM ADVISER SERVICES LIMITED
INTERPRAC FINANCIAL PLANNING PTY LTD
NATIONAL AUSTRALIA BANK LIMITED
MILLENNIUM 3 FINANCIAL SERVICES PTY LTD
COUNT FINANCIAL LIMITED
COMMONWEALTH FINANCIAL PLANNING LIMITED
CAPSTONE FINANCIAL PLANNING PTY LTD
HILLROSS FINANCIAL SERVICES LIMITED
STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED
GPS WEALTH LTD
LIFESPAN FINANCIAL PLANNING PTY LTD
ORD MINNETT LIMITED

JBWERE LTD
FORTNUM PRIVATE WEALTH LTD

The largest 20 financial advice licensees are based on the number of advisers as at 30 June 2020 that are authorised to provide personal advice to retail clients on relevant financial products on behalf of the licensee. The number of advisers at 30 June is reported to ASIC each year by the licensee through the ASIC industry funding portal, together with other industry funding reporting metrics.

2. In 2019-20, what percentage of the financial adviser population work for:

a. the 20 largest licensees;

Approximately 31% of the financial adviser population in 2019-20 worked for the largest 20 financial advice licensees.

b. licensees that are SMEs; and

ASIC has not adopted an SME definition for the purposes of the ASIC industry funding model and, as such, we are not able to provide a percentage of the financial adviser population that works for SMEs.

c. the rest of the licensees?

Approximately 69% of the financial adviser population in 2019-20 worked for licensees other than the largest 20 financial advice licensees authorised to provide personal advice on relevant financial products to retail clients.

3. In 2019-20, what percentage of ASIC's cost to regulate financial advice applied to:

a. the 20 largest licensees [It is noted that ASIC's answer in QoN021-01 indicated that in 2019-20, approximately 31% of ASIC's costs to regulate the financial advice sector were borne by the largest 20 licensees];

ASIC does not track the costs to regulate each individual entity separately. The number of financial advisers employed by an advice licensee is currently the best proxy for ASIC's regulatory effort. Based on this proxy, the answer is approximately 31%.

b. licensees that are SMEs; and

ASIC does not track the costs to regulate each individual entity separately. In any case, as mentioned above, ASIC has not adopted an SME definition for the purposes of the ASIC industry funding model.

c. the rest of the licensees?

ASIC does not track the costs to regulate each individual entity separately. The number of financial advisers employed by an advice licensee is currently the best proxy for ASIC's regulatory effort. Based on this proxy, the answer is approximately 69%.

4. In 2019-20, what percentage of the industry levies is charged to:

a. the 20 largest licensees;

Based on the leviable amount for the '*Licensees that provide personal advice on relevant financial products to retail clients*' sector, the 20 largest financial advice licensees were charged approximately \$17.3 million in 2019-20. This represents approximately 31% of financial advice related industry levies and 5.4% of ASIC's total regulatory costs of \$320.3 million for the 2019-20 financial year.

b. licensees that are SMEs; and

ASIC has not adopted an SME definition for the purposes of the ASIC industry funding model and, as such, we are not able to provide a percentage of the industry levies charged to SMEs.

c. the rest of the licensees?

Based on the leviable amount for the '*Licensees that provide personal advice on relevant financial products to retail clients*' sector, the remaining licensees (i.e. excluding the 20 largest advice licensees) were charged approximately \$38.4 million in 2019-20. This represents approximately 69% of financial

advice related industry levies and 12.1% of ASIC's total regulatory costs of \$320.3 million for the 2019-20 financial year.

5. Does the calculation of the industry levy take into account differences in the level of misconduct between:

- a. the largest 20 licensees;**
- b. licensees that are SMEs; and**
- c. the rest of the licensees?**

No. The ASIC industry funding model methodology for calculating costs is based on the Australian Government Cost Recovery Guidelines and is prescribed in the relevant Acts and Regulations. For the *'Licensees that provide personal advice on relevant financial products to retail clients'* subsector, the number of advisers as at 30 June 2020 is prescribed under the model as a proxy for ASIC's regulatory effort in this sector.

ASIC's focus is on using the resources allocated to us efficiently, by prioritising the most significant threats and harms in our regulatory environment. This is reflected in the strategic priorities in our Corporate Plan.

In our enforcement work, we look to take efficient and effective enforcement action, prioritising cases that have a high deterrence value and those responding to egregious misconduct