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SHAMEFUL ASIC FEE INCREASE WARRANTS IMMEDIATE REVIEW

- ASIC hikes financial adviser licence fees despite adviser numbers nosediving.
- Industry calls on government to cancel or reduce increase and review ASIC funding model.

Five of Australia's largest financial advice industry associations have condemned an increase in financial adviser licence fees as "shameful" and called for an immediate review of the ASIC industry funding model.

The fee hike, published by ASIC yesterday, represents an increase of 160 per cent over two years for financial advisers. Meanwhile, the number of financial advisers has fallen from around 25,200 in 2017-18 to approximately 21,200 now.

The total cost levied by ASIC is now $1,500 per retail advice licence, plus an additional $2,426 per authorised adviser under the licence. This means a sole practitioner holding a limited licence can expect to be hit with a $3,926 bill from ASIC within weeks.

Chartered Accountants Australia and New Zealand, CPA Australia, Financial Planning Association of Australia, Institute of Public Accountants and SMSF Association say the steep increase highlights serious issues with the funding model and will hasten the exodus of advisers from the industry.

The group's top five concerns are:

1. The model doesn't account for changing industry dynamics.
2. The model is contributing to the decline in financial adviser numbers.
3. Remaining participants are left to shoulder a disproportionate cost burden.
4. ASIC's preliminary cost estimates are often inaccurate and hence difficult to budget for.
5. Penalties and fines are diverted to consolidated revenue rather than off-setting ASIC's costs.

The group noted that the industry funding model has not changed despite major shifts in the financial advice sector. For example, banks have largely ceased operating financial advice businesses. Yet ASIC's budget to oversee financial advisers has increased from $25.6 million in 2017-18 to more than $56 million in 2019-20. This is largely due to supervision and remediation of historic deficiencies in the banks.

Declining adviser numbers mean that remaining participants must shoulder a heavier proportion of the total cost. This is impacting the viability of remaining businesses. Ultimately, this has flow on-effects for competition and the accessibility and affordability of financial advice.

ASIC provides an estimate for each year's industry levy approximately six months before the final amounts are invoiced. Experience has shown that these are often inaccurate. This makes it difficult for financial advice businesses to budget for their operating costs.

Fines and penalties go into consolidated revenue. Retaining these would help off-set ASIC's operating costs and put a stop to the existing cycle of levy increases.

Recommendations

The group is calling for the following action in response to the fee increase:

1. The government should immediately review the industry funding model.
2. The government should reduce or remove the latest industry funding levy increase.
3. ASIC should be properly funded from consolidated revenue to undertake its functions.
4. ASIC's industry funding levy must reflect the cost of regulation and not fund other budgetary measures.

Media contacts:

CA ANZ: Priya Kumar, 0424 491 584 or Priya.Kumar@charteredaccountantsanz.com

CPA Australia: Dr Jane Rennie, 0425 869 017 or jane.rennie@cpaaustralia.com.au

FPA: James Mitchell, 0423 720 757 or fpa@honner.com.au

IPA: Wayne Debernardi, 0417 383 231 or wayne.debernardi@publicaccountants.org.au

SMSF Association: Nicholas Way, 0434 729 577 or nicholas.way@shedconnect.com