



INDUSTRY UPDATE

**SARAH ABOOD
CEO,FAAA**

Thursday 21st March, 2024

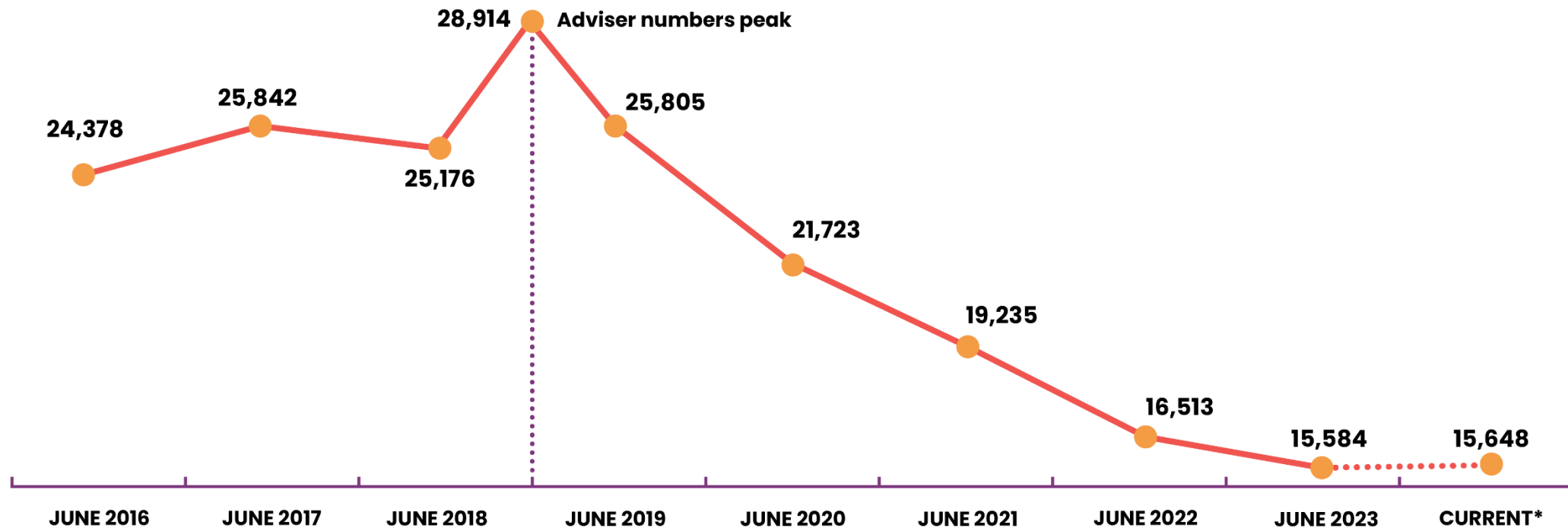
AGENDA

1. Adviser numbers
 2. Quality of Advice review
 3. Recent submissions
 4. Recent & upcoming obligations
 5. Costs to practice
 6. Other
 7. Q&A
-

#1

ADVISER NUMBERS

Financial adviser numbers



Source: ASIC Financial Adviser Register
*at 8 February 2024

Insurance adviser numbers

- Research* indicates insurance-focused adviser numbers are falling, and specialising:
 - Disproportionately represented amongst advisers leaving profession
 - 6,373 advisers wrote a policy in 1st half 2023
 - Of those, 493 advisers wrote 50% of policies
 - Around 150 “pure risk” specialist advisers in Australia*
- Financial advisers write > 50% of life insurance in Australia (APRA)
- Australians are under-insured by around 60-80% (compared to OECD)**

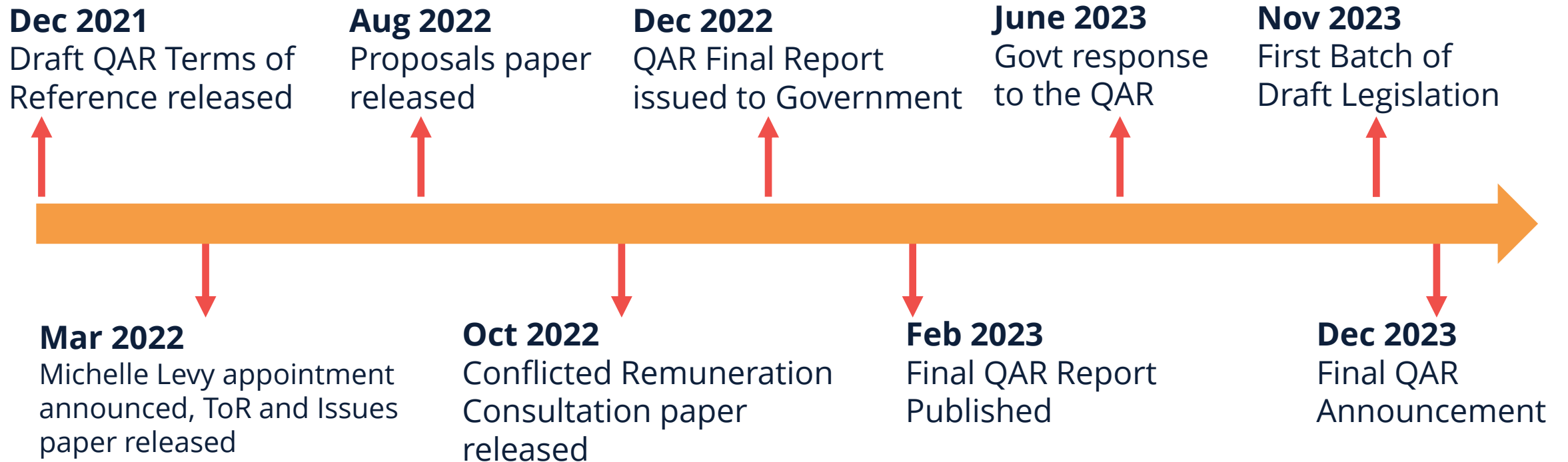
*Source: Adviser Ratings, ARdata Life Insurance Study, 2023

**Source: Deloitte, “Mind the gap: how to provide the Australian community with the life insurance it needs, August 2023

#2

QAR

QAR – The Timeline



QAR – Stream one draft legislation

Recommendation	13 June 2023 Announcement	14 Nov 2023 Draft Leg
Legal certainty for paying advice fees from super	No	Yes
Consolidating 3 fee documents into 1	Yes	Yes
Allowing more flexibility with FSGs	Yes	Yes
Removing the safe harbour steps	Yes	No
Replacing the lengthy and legalistic SoAs	Yes	No
Life insurance and client consent	Yes	Yes
Conflicted remuneration changes	Yes	Yes

LIF – where are we at

- Impact of introduction
 - Hayne
 - Case made during QAR
 - ML recommendation – retain, with client consent
 - Focus on seeing that enshrined
 - Future
-

QAR Response – 7 December 2023

- Modernising BID, removal of Safe Harbour steps
 - Greater clarity on the provision of scaled advice
 - New class of adviser - “Qualified Adviser”
 - Application of new class to superannuation, life insurance and banking
 - “Good” advice duty gone
 - Also licensees, advice practices?
 - Expanding superannuation advice
 - Rationalised advice documents
 - Review of Code of Ethics
-

QAR Implementation

- Consultation current focus:
 - New class of adviser (scope, education, charging, supervision)
 - Modernised BID & removal of safe harbour steps
 - Advice record
 - Super “nudges”
 - ?Code of Ethics?
-

Government priorities

- Consumer protection & combatting 'dodgy' financial projects
- Legislating for Crypto and Buy Now Pay Later
- Taking action on scams and digital platforms
- MIS review outcomes
- Wholesale client tests and thresholds
- Implementing the QAR for financial advice
- Not to mention the tax practitioner stuff



Assistant Treasurer and Financial Services Minister Stephen Jones. Picture: Britta Campion



Opposition refocus?

- Luke Howarth appointed Shadow Assistant Treasurer and Shadow Financial Services Minister
- Member for Petrie – Brisbane
- Has been vocal on supporting small business
- Already met with a group of FAAA members
- Acknowledged some Coalition miss-steps in our space



#3

RECENT SUBMISSIONS

Recent submissions

- AUSTRAC third party reliance
 - Cyber security legislative reforms
 - Genetic testing in life insurance
 - SEC enquiry: “Improving consumer experiences, choice & outcomes in Australia’s retirement system”
 - Senate standing committee on economics: Objective of super, “Better targeted super” bills
 - Treasury: Retirement phase of super
 - TPB *3
 - Digital ID
 - Financial adviser exam
 - Tax deductibility of financial advice
 - Pre-budget submission
-

Super & retirement

- Objective of super
 - \$3m cap
 - RITCs
 - “nudges” and defaults
 - Performance test
-

#4

RECENT & UPCOMING OBLIGATIONS

Recent & upcoming obligations

Adviser registration

- Legislation passed 27 November 2023
- Obligation to be registered by 1 Feb 2024
 - Extended to 16 February after FAAA advocacy
- Latest data: 14 not registered, 8 need following up
- An additional point if changing licenses in future

IDR reporting

- Due 29 February 2024
 - Period covered is 1 Jul – 31 Dec 2023
 - File had to be uploaded to ASIC regulatory portal
 - Still needed to lodge a report if no complaints
 - ASIC published summary results 18th March – 87% have lodged
-

Recent & upcoming obligations (cont.)

Education standard

- “Experienced” pathway
 - 10 years from 1 Jul 2007 to 31 Dec 2021
 - Clean record
 - Passed exam
 - “Educated” pathway
 - Deadline: 1 Jan 2026
 - Future: looking for greater flexibility & recognition of different types of advice
-

#5

COSTS TO PRACTICE

ASIC Funding Levy

	2017–18	2018–19	2019–20	2020–21	2021–22
Total regulatory costs for the sub-sector without levy relief (\$ million)	25.6	33.0	56.2	60.0*	56.7*
Total regulatory costs for the sub-sector with relief (\$ million)	N/A	N/A	N/A	25.8	22.8
Number of licensees	2,985	3,051	2,991	2,933	2,866
Number of advisers	22,652	24,919	21,308	18,704	16,153
Graduated levy amount without relief (per adviser)	934	1,142	2,426	2,971**	3,021**

* These amounts are what would be recovered from the sub-sector if there was no levy relief.

**These per adviser amounts reflect the amounts that would've been charged had the relief not been in effect.

Source: Review of the Australian Securities and Investments Commission Industry Funding Model - Final Report - June 2023

The ASIC Levy Freeze in 2021/22 and 2022/23 delivered a \$68m saving for financial advisers

ASIC Funding Levy - Outcome

The Financial Advice Levy Formula:

Total Financial Advice Cost = Licensee Cost * Licensee #'s + Adviser Cost * Adviser #'s

Adviser Cost = (Total Financial Advice Cost - Licensee Cost * Licensee #'s) / Adviser #'s

June Estimate - Adviser Cost = **(\$55.5m - \$1,500 * 2,655) / 16,019 = \$3,217**

November Final - Adviser Cost = **(\$47.6m - \$1,500 * 2,766) / 15,416 = \$2,818**

Based upon the original estimate of cost (\$55.5m), at the lower actual adviser number (15,416) the cost per adviser would have been \$3,333

ASIC Funding Levy

Key Issues for Advice:

- Paying for litigation against unlicensed operators, and those no longer in advice (Melissa Caddick, big Banks etc)
 - Fines and penalties going straight to Consolidated Revenue
 - Allocation of matters that might not be advice or entirely advice (i.e. ASIC High Court action against Westpac)
 - Paying for our disciplinary body, when the Government pays for those related to auditors and liquidators
 - Wholesale only licensees pay just \$18
 - Total lack of transparency
-

CSLR

- Recommended in September 2017 (Ramsay Review)
 - Also in Hayne Royal Commission, which govt accepted
 - Govt changed
 - Legislation introduced 8 Sep 2022, amended March 2023, passed June 2023
 - Officially opens for business in April 2024
 - First major issue: Dixons
-

Who pays?

- Complaints submitted before 8 September 2022: 10 largest financial institutions in Australia. (\$240m). There is a \$250m cap, and advisers might pay the excess if it goes above this cap.
- Complaints lodged with AFCA on or after 8 September 2022 & paid out by the CSLR before 30 June 2024: the government
- Unpaid AFCA advice determinations for matters from 1 July 2024: Financial advisers
- First levy: c. \$1,200 per adviser, due September 2024

Our position:

- CSLR should cover broader scope, at least including MISs
 - Compliant advisers of today should not be paying for behaviour of past bad actors
 - Need to ensure all avenues pursued before CSLR called on
 - Need review of PI
-



NEWS | FINANCIAL PLANNING | SUPERANNUATION | INVESTMENT | FINTECH |

Senators ask why advisers should pay for Dixon Advisory collapse

Mike Taylor | 1 December 2023



#6

OTHER

FAAA Update

Our main focus :

1. Make it cheaper & easier to deliver advice
2. Grow the number of professional financial advisers
3. Re-engage with consumers

Initiatives:

- Advocacy goals
 - Launch of new policy platform
 - Updated Learning Management System
 - Updated website & “Find a Planner”
 - Support for PY
 - A new role for a professional association?
 - AML/CTF
 - Unified comms & AI
 - 2024 Roadshow – May, 10 locations
 - 2024 Congress – 27-29 November
-

Q & A

