

24 July 2020

Australian Securities & Investments Commission
The Treasury
100 Market Street
SYDNEY NSW 2000

By email: policy.submissions@asic.gov.au

COST RECOVERY IMPLEMENTATION STATEMENT 2019-2020 SUBMISSION BY STOCKBROKERS AND FINANCIAL ADVISERS ASSOCIATION

We refer to the Cost Recovery Implementation Statement — ASIC Industry Funding Model 2019-2020 (CRIS) issued for consultation on 12 June 2020.

The Stockbrokers and Financial Advisers Association (SAFAA) makes this submission in respect of one element of the CRIS.

Indicative Levy Per Retail Financial Adviser, Relevant Products

We note that once again in this year's CRIS, there is a very substantial increase in the Indicative Levy per retail adviser giving personal advice on relevant products. Table 68 discloses an indicative levy of \$1,571 per adviser.

The indicative levy in the 2018-2019 CRIS was \$907, so the new indicative levy represents an increase of \$664 or 73%, which is drastic. We understand that the amount actually invoiced to Licensees for 2018-2019 was \$1,142, so the new indicative levy will represent an increase of \$429, or 38%, on the invoiced amount.

Given that the \$907 indicative levy last year was significantly less than the amount that was actually invoiced, this raises the further question, namely, how much more than \$1,571 will Licensees actually be billed by the time that invoices are issued?

ASIC must be aware of the impact that this levy has had and will continue to have on the cost and availability of advice to retail clients. We are aware that Cost Recovery is a matter of government policy, which ASIC is mandated to implement; however, SAFAA members have questioned to what extent ASIC is advising government of the detrimental impact that this charge is having on stated government policy of increasing the extent to which retail investors seek and rely on investment advice.

Simple calculations will show that a Licensee with just 100 advisers will need to find an extra \$42,900 to fund this levy alone, compared to last year (assuming off course that the invoiced amount does remain \$1,571 per adviser), which is a significant financial impost. Passing such an amount on to the client must increase the cost of advice to the retail client.

If some Licensees decide not to pass the cost on, in order to attract clients, then this may put firms in the difficult position of having to absorb the levy in order to compete and not lose clients. The level of competition in the market is very high. The end result could be that all firms either end up shedding staff (far from optimal in an economic downturn with high unemployment) or end up financially weaker.

Our members are extremely concerned that this rate of increase will simply continue on unchecked. There must be a better alternative for securing ASIC's funding without inflicting this impact on the important objective of affordable advice for Australians.

Conclusion

We would be happy to discuss any issues arising from these comments, or to provide any further material that may assist. Should you require any further information, please contact Peter Stepek, Policy Executive, on (02) 8080 3200 or email at pstepek@stockbrokers.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a long horizontal stroke extending to the right.

Judith Fox
Chief Executive Officer