



ASIC
Australian Securities &
Investments Commission

REPORT 611

Overview of licensing and professional registration applications: July 2017 to June 2018

February 2019

About this report

This report is for Australian financial services (AFS) licensees, Australian credit licensees (credit licensees), lawyers, application service providers, and professionals working in financial services.

It describes the key regulatory issues and ASIC's activities regarding licensing and professional registration. It focuses on the period from 1 July 2017 to 30 June 2018 (relevant period) and sets out our decisions on applications for:

- new AFS licences and licence variations;
- new credit licences and licence variations;
- the registration of company auditors and approved self-managed superannuation fund (SMSF) auditors; and
- financial markets, clearing and settlement (CS) facilities, and derivative trade repositories (trade repositories).

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

The statistical information provided in this report is sourced from a range of ASIC's databases and includes both objective data (e.g. date of the decision) and subjective data (e.g. whether an amendment to an authorisation was recorded as an additional condition or a change in an authorisation). We have not undertaken individual verification of each figure in this report, and the statistical information should be regarded as approximate only. In addition, examples are for illustration only and are not exhaustive nor intended to impose or imply particular rules or requirements.

Previous five reports on licensing and professional registration applications

Report number	Report date
REP 553	30 November 2017
REP 503	7 December 2016
REP 478	31 May 2016
REP 448	24 September 2015
REP 433	20 May 2015

Note: See the [licensing and professional registration reports](#) page on the ASIC website for the full list of reports.

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Overview

ASIC's role in licensing and professional registration

- 1 ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. Our new regulatory strategic priorities are:
 - (a) being a strategic and agile organisation, to better focus on harms and risks to consumers;
 - (b) accelerating enforcement outcomes and our capacity to pursue actions for serious misconduct;
 - (c) implementing new supervisory approaches, including placing dedicated staff within our largest financial institutions to monitor their governance and compliance actions; and
 - (d) promoting regulatory technology (regtech) adoption.
- 2 Our vision is for a fair, strong and efficient financial system for all Australians.
- 3 We regulate entities at every point from 'cradle to grave'—from their incorporation through to their winding up.
- 4 One of our important statutory regulatory functions is the licensing of individuals and entities offering various services in the financial services industry. When assessing a licence application, we evaluate whether an applicant satisfies the statutory minimum standards prescribed for the type of licence they are applying for. ASIC has the power to:
 - (a) grant licences to providers of financial services under s913B of the *Corporations Act 2001* (Corporations Act);
 - (b) grant licences to providers of credit services under s37 of the *National Consumer Credit Protection Act 2009* (National Credit Act);
 - (c) register company auditors under s1280 of the Corporations Act;
 - (d) register self-managed superannuation fund (SMSF) auditors under s128B of the *Superannuation Industry (Supervision) Act 1993* (SIS Act);
 - (e) grant Australian financial market licences under Pt 7.2 of the Corporations Act;
 - (f) grant clearing and settlement (CS) facility licences under Pt 7.3 of the Corporations Act; and
 - (g) grant Australian derivative trade repository (ADTR) licences under Pt 7.5A of the Corporations Act;
- 5 Our licensing responsibilities are undertaken within two particular areas of ASIC. Applications for Australian financial services (AFS) licences,

Australian credit licences (credit licences) and professional registration are assessed by our Licensing team, which is part of ASIC's Assessment and Intelligence team. Applications for Australian market licences, CS facility licences and ADTR licences are assessed by our Markets Infrastructure team.

- 6 For further background on ASIC's licensing and professional registration responsibilities, please see [Report 433](#) *Overview of licensing and professional registration applications: July to December 2014* (REP 433) at paragraphs 1–18.

ASIC's service charter

- 7 The [ASIC service charter](#) sets out the standards you can expect when you deal with ASIC in the course of performing our regulatory functions.
- 8 For example, we aim to decide whether to grant or vary an AFS licence or credit licence within:
- (a) 150 days of receiving a complete application in at least 70% of cases; and
 - (b) 240 days of receiving a complete application in at least 90% of cases.
- 9 We are committed to ensuring that we conduct thorough, risk-based assessments of licence applications in the interests of protecting consumers. Higher risk and more complex applications will require more detailed assessments and take longer to decide compared to low-risk and less complex applications.
- 10 We recognise that the time taken to assess licence applications can have a significant impact on applicants and their businesses. We aim to balance this with the important role the licensing process plays in improving and maintaining standards across the financial services sector by ensuring that licences are not granted to unfit providers. This aligns with our objectives of preventing future harm to consumers and ensuring a fair, strong and efficient financial system for all Australians.
- 11 The service charter also details our service standards when you have other interactions with ASIC.

Industry funding model

- 12 The industry funding model for ASIC commenced on 1 July 2017. The purpose of industry funding is to ensure that those who create the need for, and benefit from, regulation bear the costs of that regulation, rather than the general community.

- 13 Industry funding does not necessarily affect the overall maximum resourcing available to ASIC to carry out our various regulatory responsibilities, such as our licensing function, which will continue to be set by the Australian Government.
- 14 Industry funding allows ASIC to recoup its regulatory costs from industry through a combination of levies (90%) and fees for service (10%). For the 2017–18 financial year, regulated entities have been categorised into six sectors and 48 subsectors. An entity may be part of multiple subsectors, depending on its licence authorisations and business activities. Entities must pay the levy for each subsector to which they belong. See our website for [more information on the industry funding model](#).
- 15 Industry funding operates in an annual cycle. Between July and September each year, entities will need to log in to the [ASIC Regulatory Portal](#) and submit their industry funding business activity metrics for the previous financial year. The information provided will enable ASIC to calculate each entity's share of ASIC's regulatory costs for the sector in which they operate. The detailed methodology for how we will calculate levies for each industry sector is outlined in the [ASIC Supervisory Cost Recovery Levy Regulations 2017](#).
- 16 The industry funding model will recover the actual amount spent during the previous financial year. This means the levies can only be calculated and issued in the following financial year.
- 17 Some entities will pay a flat levy, with the cost of regulating a subsector shared equally among the entities operating in that subsector. Others will pay a graduated levy, with the entity's size or level of business activity determining their share of costs, or a combination of the two. The levy is tax deductible to the entity.
- 18 The metrics used to calculate the levy are set out in the ASIC Supervisory Cost Recovery Levy Regulations 2017. Some examples of the metric for those subsectors with a graduated levy include:
- (a) the number of messages and transactions;
 - (b) total transaction value;
 - (c) gross revenue above \$1,000,000; and
 - (d) the number of persons engaged in over-the-counter (OTC) trading activities.
- 19 The changes to ASIC's regulatory fees for service commenced on 4 July 2018.
- 20 In December 2018, we published ASIC's actual regulatory costs and levies for the 2017–18 financial year: see [ASIC industry funding: Summary of 2017–18 levies](#) (PDF 687 KB). In January 2019, we published our

[Annual dashboard report: 2017–18](#) (PDF 165 KB), which details ASIC’s regulatory costs by sector and activity.

- 21 On 31 January 2019, we issued invoices for the 2017–18 levies; the entities must pay the invoices by 15 March 2019 to avoid late payment penalties. We will publish an estimate of 2018–19 levies in the Cost Recovery Implementation Statement in early 2019. This will also include a comparison of the indicative levies versus actual levies for the 2017–18 financial year.

Purpose and scope of this report

- 22 This report sets out the regulatory outcomes achieved by ASIC—for the period from 1 July 2017 to 30 June 2018 (relevant period)—in relation to:
- (a) AFS licence applications;
 - (b) credit licence applications;
 - (c) liquidator registrations, suspensions and cancellations;
 - (d) company auditor and approved self-managed superannuation fund (SMSF) auditor registration applications; and
 - (e) applications relating to financial markets, CS facilities, ADTR licences and the Companies Auditors Disciplinary Board (CADB).
- 23 The purpose of this report is to provide greater transparency and understanding of ASIC’s licensing and professional registration activities. It presents statistics and comments on applications and outcomes for these licensing and registration assessments—notably, when outcomes are different to those applied for.
- 24 The licensing and professional registration outcomes in this report relate to:
- (a) pre-lodgement rejections—applications that we reject after a preliminary assessment following lodgement and before we formally accept them for detailed assessment. This is because these applications are manifestly defective and do not include the minimum content and information we require to conduct a detailed assessment;
 - (b) withdrawals—applications that the applicant withdraws after considering our feedback and/or requisitions during the assessment process;
 - (c) approvals—applications that we assess as meeting the requirements to obtain a licence or licence variation, or for professional registration;
 - (d) modifications—applications that we grant with different authorisations from those applied for, or with additional conditions. For example, we might:
 - (i) grant a licence with a narrower range of financial services or financial products than what was applied for; or

- (ii) impose a key person condition on the licence, require a compliance consultant to be appointed, or tailor a special condition to limit the scope of the activity authorised under the licence; and
- (e) refusals—applications that we refuse because we are not satisfied that the applicant has met the statutory requirements for granting a licence or registration.

25 We note that, in addition to the regulatory outcomes associated with refusals, modifications or withdrawals, for every application that is approved there may be a combination of regulatory outcomes. This means that the number of regulatory outcomes for approved licences may be higher than the number of applications approved. For example, we may grant a licence application and impose a key person condition, require the appointment of an additional responsible manager, and refuse to provide one of the authorisations sought. In such a case, while there is a single approved licence application, we consider that we have achieved three beneficial regulatory outcomes.

26 Similarly, multiple regulatory outcomes may be achieved for applications for a variation to an existing licence.

27 There is a narrower range of regulatory outcomes associated with the regime for professional registrations, when compared with AFS or credit licences, given the reduced scope for tailoring registrations or for imposing conditions on registrants.

28 This report also provides details about how the Licensing team maintains standards, by ensuring that applicants are only licensed when the applicant and key personnel are competent and are of good fame and character, or fit and proper. This is done with the support of other ASIC teams.

29 We will also use this report to highlight particular areas of focus and issues of potential concern. We will continue this dialogue in our discussions with applicants, their service providers and at public licensing-specific forums.

Summary of outcomes for the relevant period

Licensed financial markets, CS facilities and trade repositories

30 As part of the conditions of granting a licence to operate a financial market or a CS facility, the licensee must supervise the market in accordance with Pt 7.2 of the Corporations Act.

31 ASIC has the power to assess how well the operator of a market and/or CS facility is complying with their obligations under the Corporations Act: see

s794C and 823C of the Corporations Act. These [market assessment reports](#) may be downloaded from our website.

32 We also publish twice-yearly reports on key market integrity outcomes for the preceding six months. These [market integrity reports](#) can be downloaded from our website.

33 A trade repository is a facility to which information about derivative transactions, or about positions relating to derivative transactions, can be reported. In Australia, operators of trade repositories must be licensed under the Corporations Act or prescribed under the Corporations Regulations. For more information, see the [derivative trade repositories](#) page on our website.

34 There has been an increase in the number of financial market, CS facility and ADTR licensees during the relevant period. There are now 25 market licensees (13 domestic operators and 12 overseas operators), 7 CS facility licensees (5 domestic operators and 2 overseas operators) and 2 ADTR licensees.

CADB matters

35 The CADB is an independent statutory body established under Pt 11 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Its powers and functions are conferred under Pt 9.2 of the Corporations Act and Pt 11 of the ASIC Act. The CADB acts as an independent tribunal to hear and determine disciplinary matters concerning registered auditors referred to it by ASIC or the Australian Prudential Regulation Authority (APRA).

36 During the 2017–18 financial year, ASIC referred one matter to the CADB. Following that referral, the practitioner’s registration was cancelled at his request, leading to ASIC withdrawing the matter from the CADB: see [Media Release \(18-157MR\)](#) *ASIC cancels registration of Victorian auditor* (28 May 2018).

Liquidator registrations, suspensions and cancellations

37 The *Insolvency Law Reform Act 2016* introduced a new registration regime for liquidators, effective from 1 March 2017. Under the Insolvency Practice Schedule in Sch 2 to the Corporations Act (Sch 2), an individual may apply to ASIC for registration as a liquidator: see s20-5 of Sch 2. They may apply to be registered as:

- (a) an external administrator of companies, receiver, and receiver and manager; or
- (b) only as a receiver, and receiver and manager.

- 38 ASIC's new role is to refer the registration application to a committee, who will assess the application. The committee comprises:
- (a) ASIC;
 - (b) a registered liquidator chosen by the prescribed body, the Australian Restructuring Insolvency and Turnaround Association (ARITA); and
 - (c) a person appointed by the Minister.
- 39 During the relevant period, committees were convened to consider 16 applications for registration as a liquidator. Committees determined that four of those applicants ought to be registered without conditions, seven should be registered with conditions imposed on that registration and the remaining five should not be registered. Of the five applicants who were unsuccessful in seeking registration, three have sought a review at the Administrative Appeals Tribunal (AAT). In the first such matter considered by the AAT, the decision was to register the applicant but apply strict conditions. The AAT is yet to consider the remaining two applications.
- 40 Committees were also convened to consider five applications to vary conditions previously imposed on registrations. The committee determined that in four of those matters the condition in place should be varied, and in the remaining matter the condition was removed.
- 41 Under the new regime, ASIC also has the power to either suspend or cancel a liquidator's registration on the following grounds:
- (a) the person is disqualified from managing corporations under Pt 2D.6 of the Corporations Act, or under a law of an external territory or foreign country;
 - (b) the person ceases to have either adequate and appropriate professional indemnity (PI) insurance, or adequate and appropriate fidelity insurance, against the liabilities that the person may incur working as a liquidator;
 - (c) the person's registration as a trustee under the *Bankruptcy Act 1966* has been cancelled, other as a result of a written request by the person to cancel the registration;
 - (d) the court has made an order under s90-15 of Sch 2 that the person repay remuneration, and the person has failed to repay the remuneration;
 - (e) the person has been convicted of an offence involving fraud or dishonesty;
 - (f) the person lodges a request with ASIC in the approved form to have the registration cancelled; or
 - (g) the person must pay a levy under the industry funding model and the full amount of the levy has not been paid within 12 months after the due date for payment.

42 Since 1 March 2017, ASIC has registered 14 liquidators and cancelled the registrations of 31 liquidators. There were no suspensions of registered liquidators during the same period.

AFS and credit licensing and professional registration

43 In the relevant period, we received 2,123 AFS and credit licensing and professional registration applications across the various application and registration types. Most (86%) were applications for either:

- (a) an AFS licence (549 new licence applications and 677 variations to existing AFS licences); or
- (b) a credit licence (396 new licences applications and 197 variations to existing credit licences).

44 Table 1 shows the number of applications that we considered (i.e. those available for assessment) and approved during the relevant period. These are broken down by the period in which they were lodged (i.e. either before or during the relevant period).

Table 1: Licensing and professional registration applications available for assessment (1 July 2017 to 30 June 2018)

Type of application	Received or initiated before July 2017	Approved July 2017–June 2018	Received or initiated July 2017–June 2018	Approved July 2017–June 2018	Finalised (not approved) July 2017–June 2018	Not finalised at 30 June 2018
New AFS licence	214	147	549	156	218	242
Variation of AFS licence	288	193	677	262	191	319
New credit licence	159	103	396	170	135	147
Variation of credit licence	70	44	197	113	53	57
Registration as company auditor	16	15	117	82	26	10
Registration as approved SMSF auditor	9	6	187	92	69	29
Total applications	756	508	2,123	875	692	804

Note 1: The first 'Approved July 2017–June 2018' column includes applications that were considered *before* the relevant period but were approved *during* the relevant period.

Note 2: The second 'Approved July 2017–June 2018' column includes applications that were both considered and approved during the relevant period.

Note 3: The 'Finalised (not approved) July 2017–June 2018' column includes applications that were rejected, withdrawn or refused during the relevant period. For more details, see Table 5–Table 6.

45 The combined number of AFS and credit licensing and professional registration applications available for assessment during the relevant period totalled 2,879, of which 1,383 (48%) were approved. The remaining applications were rejected, withdrawn or refused, or are still being assessed: see Table 2.

Table 2: Percentage approval of licensing and professional registration applications under consideration (1 July 2017 to 30 June 2018)

Application type	Under consideration	Approved
AFS licence (new licence and variations)	1,728	758 (44%)
Credit licence (new licence and variations)	822	430 (52%)
Registration	329	195 (59%)
Total applications	2,879	1,383 (48%)

Note: The 'Under consideration' column includes all applications under consideration during the relevant period, whether they were received before or during the relevant period.

46 To ensure that entities are only licensed if they are able to offer financial or credit services in compliance with their licensing obligations, we may:

- (a) impose additional licence conditions;
- (b) impose a requirement for additional or alternative responsible managers; and/or
- (c) modify the standard licence authorisations to limit:
 - (i) the financial products that a licensee may offer; or
 - (ii) the financial services or credit activities that a licensee may undertake.

47 Of the 1,188 AFS licence and credit licence applications that were approved (including both new licences and licence variations), 731 (62%) were approved in a form different in scope to the licence authorisations sought by the applicant or the standard conditions. For AFS licence applications, approximately 59% were approved with changes to the form of the licence, while for credit licence applications this proportion was approximately 67%.

New AFS licences and licence variations

48 There were 1,728 applications under consideration during the relevant period. Of these, 758 were approved, 196 were rejected for lodgement, 202 were withdrawn, 11 were refused and the remaining 561 were undergoing assessment at the end of the relevant period. Of the 758 approved

applications, 444 (59%) were approved with alterations to the original application: see Section C for details.

New credit licences and licence variations

- 49 There were 822 applications under consideration during the relevant period. Of these, 430 were approved, 74 were rejected for lodgement, 114 were withdrawn and the remaining 204 were undergoing assessment at the end of the relevant period. Of the 430 approved applications, 287 (67%) were approved with alterations to the original application: see Section D for details.

Registration of auditors

- 50 During the relevant period, we registered:
- (a) 97 company auditors (an additional 26 applications for registration were withdrawn, the registration of 236 company auditors was cancelled);
and
 - (b) 98 approved SMSF auditors (an additional 69 applications were withdrawn, the registration of 396 SMSF auditors was cancelled).
- 51 For more details, see Section E.

A Key issues and activities

Key points

This section sets out key licensing issues and activities including:

- current areas of regulatory focus;
- policy proposals and key changes to procedures; and
- decision outcomes relating to applications considered by ASIC Hearings Delegates and the AAT.

Licensing issues: Current areas of focus

ASIC Enforcement Review Taskforce

- 52 The Australian Government established the ASIC Enforcement Review Taskforce on 19 October 2016 in response to a recommendation of the Financial System Inquiry. The taskforce was asked to review ASIC's enforcement regime and to assess the suitability of the existing regulatory tools available to ASIC to perform its functions adequately.
- 53 The taskforce provided its report to the Government in December 2017: see [ASIC Enforcement Review Taskforce report](#). The report makes a total of 50 recommendations, covering the areas of:
- (a) breach reporting;
 - (b) industry codes in the financial sector;
 - (c) strengthening penalties for corporate and financial sector misconduct; and
 - (d) enhancing ASIC's powers in relation to licensing, banning, directions, search warrant and telecommunications intercepts.
- 54 The taskforce has made the following recommendations on licensing:
- (a) ASIC should be able to refuse a licence application (or, for existing licensees, take licensing action) if it is not satisfied controllers are fit and proper (Recommendation 23).
 - (b) ASIC should have the power to cancel a licence if the licensee fails to commence business within six months (Recommendation 24).
 - (c) ASIC should be able to refuse a licence application if it is false or misleading in a material particular (Recommendation 25).
 - (d) Applicants should have an express obligation to confirm that there have been no material changes to information given in the application before ASIC grants their licence (Recommendation 26).

- (e) Align the assessment requirements for AFS licence applications with the enhanced credit licence assessment requirements (Recommendation 27).
 - (f) Licensees should have a statutory obligation to notify ASIC of a change of control within 30 days of control passing, with penalties for failure to notify (Recommendation 28).
 - (g) Align the consequences for making false or misleading statements in documents provided to ASIC in AFS and credit contexts (Recommendation 29).
- 55 The taskforce has also made the following recommendations on ASIC's power to ban individuals from the financial services industry:
- (a) Once an administrative banning power is triggered, ASIC should be able to ban a person from performing a specific function, or any function, in a financial services or credit business (Recommendation 30).
 - (b) Expand the grounds on which we may exercise ASIC's power to ban individuals from performing roles in financial services and credit businesses (Recommendation 31).
- 56 In April 2018, the Australian Government indicated that it agreed to all of the taskforce's recommendations on licensing and individual bannings (Recommendations 23 to 31), and that it will develop legislative amendments to implement those recommendations.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

- 57 The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) was established by the Australian Government on 14 December 2017.
- 58 The purpose of the Royal Commission was to inquire into and report on whether:
- (a) Australian financial services entities (including their officers and representatives) engaged in conduct that might amount to misconduct;
 - (b) those entities' conduct falls below community standards and expectations; and
 - (c) those entities' conduct is attributable to their internal practices in relation to culture, governance, recruitment and remuneration.
- 59 The Royal Commission also inquired into and reported on the adequacy of existing Commonwealth financial services laws, and the effectiveness and ability of financial services regulators to identify and address misconduct. This included considering whether any further changes were necessary to the

legal framework, to practices within financial services entities, and to Australia's financial regulators.

- 60 The [Royal Commission published an interim report](#) on 28 September 2018. The [Royal Commission's final report](#) was submitted to the Governor-General on 1 February 2019.

Reforms to professional standards for financial advisers

- 61 The [Corporations Amendment \(Professional Standards of Financial Advisers\) Act 2017](#) commenced on 15 March 2017. It introduced several measures in the Corporations Act to raise the education, training and ethical standards of 'relevant providers' who provide personal advice to retail clients on 'relevant financial products'.
- 62 A 'relevant provider' is an individual who is:
- (a) an AFS licensee, an authorised representative, employee or director of an AFS licensee, or an employee or director of a related body corporate of an AFS licensee; and
 - (b) authorised to provide personal advice to retail clients about relevant financial products, either as the AFS licensee or on behalf of the AFS licensee.
- 63 'Relevant financial products' are more complex financial products. They are defined as financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of those products. This is broadly similar to the concept of 'Tier 1 products' in [Regulatory Guide 146 Licensing: Training of financial product advisers \(RG 146\)](#)—the main difference is that personal sickness and accident insurance are Tier 1 products but not relevant financial products.
- 64 The professional standards reforms require all relevant providers to:
- (a) have a relevant bachelor or higher degree, or equivalent qualification;
 - (b) pass an exam;
 - (c) meet continuing professional development (CPD) requirements each year;
 - (d) complete a year of work and training (professional year)—however, this does not apply to individuals who were already relevant providers before 1 January 2019; and
 - (e) comply with a code of ethics and be covered by a compliance scheme that monitors and enforces compliance with that code.
- 65 An independent body, the [Financial Adviser Standards and Ethics Authority \(FASEA\)](#), will set the standards for qualifications, examinations, CPD, the code of ethics, and professional year that relevant providers must meet.

- 66 Monitoring bodies will operate compliance schemes to monitor and enforce relevant providers' compliance with the code of ethics. Monitoring bodies cannot be AFS licensees or associates of AFS licensees, but they may be professional associations. Monitoring bodies will be required to apply to ASIC for approval of the compliance scheme.
- 67 From 1 January 2019, only relevant providers who meet these standards can call themselves a 'financial adviser', 'financial planner' or similar terms.
- 68 There will be a phased approach to the commencement of these reforms, and transitional arrangements apply to existing providers. For full details of the reforms, see the [professional standards for financial advisers](#) page on ASIC's website.
- 69 We will update the [financial advisers register](#) to include additional information about relevant providers, including their principal place of business, compliance scheme, and compliance with the code of ethics and CPD requirements. AFS licensees must give the additional information to ASIC by certain dates. For full details, see [Media Release \(18-225MR\) Professional standards reforms for financial advisers—ASIC update](#) (1 August 2018) and [Media Release \(18-304MR\) Financial adviser professional standards reforms—ASIC releases new instrument delaying reporting dates and making minor amendments](#) (10 October 2018).
- 70 In light of the professional standards reforms for financial advisers, we released [Consultation Paper 305 Organisational competence requirements for advice licensees: Update to RG 105](#) (CP 305) in November 2018. We proposed to introduce a new Option 6, for assessing the knowledge and skills of nominated responsible managers, to add to the five existing options in [Regulatory Guide 105 Licensing: Organisational competence](#) (RG 105).
- 71 Option 6 will reflect the higher educational and training standards for financial advisers introduced by the professional standards reforms. We proposed to require:
- (a) AFS licensees who provide personal advice to retail clients on relevant financial products ('advice licensees') to have at least one responsible manager who satisfies Option 6;
 - (b) a responsible manager to pass the financial adviser exam, satisfy the degree requirement and comply with CPD requirements in order to satisfy the knowledge component of Option 6; and
 - (c) a responsible manager to have three years of relevant experience over the preceding five years in order to satisfy the skills component of Option 6.
- 72 The consultation period ended in December 2018. We will provide further guidance in 2019 on how the higher standards in the professional standards

reforms for financial advisers will be included in the assessment of advice licensee applications, including assessment of responsible managers nominated under the proposed Option 6.

Introduction of the Australian Financial Complaints Authority

- 73 In response to the release of [*Review of external dispute resolution and complaints arrangements in the financial system: Final report*](#) in May 2017, the Australian Government announced that a new single external dispute resolution (EDR) scheme—the Australian Financial Complaints Authority (AFCA)—would be established to resolve consumer and small business complaints.
- 74 On 1 November 2018, AFCA replaced the two existing ASIC-approved EDR schemes—the Financial Ombudsman Scheme (FOS) and the Credit and Investments Ombudsman (CIO)—and the statutory Superannuation Complaints Tribunal (SCT).
- 75 All financial firms that are required to be members of an EDR scheme to deal with complaints from consumers and small businesses must be members of AFCA. This includes trustees of regulated superannuation funds. The SCT will continue to deal with superannuation complaints it received on or before 31 October 2018.
- 76 Financial firms who hold AFS or credit licences must, as a condition of their licence, notify ASIC about their AFCA membership details. In the transition to AFCA commencement, ASIC gave licensees an extended period to notify ASIC—after which time, late fees apply.
- 77 The Australian Government decided that AFCA would commence operations with the following monetary limits (which are to be independently reviewed within 18 months of AFCA commencing operations):
- (a) a monetary limit of \$1 million and a compensation cap of \$500,000 for most non superannuation complaints;
 - (b) unlimited monetary jurisdiction for superannuation complaints;
 - (c) no monetary limits and compensation caps for complaints about whether a guarantee should be set aside where it has been supported by a mortgage or other security over the guarantor’s primary place of residence; and
 - (d) a monetary limit of \$5 million and a compensation cap of \$1 million for small business credit facility complaints (\$2 million for primary producers).
- 78 The AFCA Rules set out the scheme’s jurisdiction and the rules and processes that apply to all complaints made to the scheme. This includes

complaints AFCA will exclude, such as complaints already dealt with by an existing EDR scheme or by a court.

79 AFCA will (subject to limited discretion) refer all new complaints it receives back to the financial firms they relate to. This is to provide a final opportunity for the firm to resolve the complaint directly through internal dispute resolution (IDR) within a defined timeframe. The exception to this is complaints about death benefits within superannuation, which are subject to statutory timeframes.

80 We will check AFS and credit licensees' compliance with their AFCA membership obligations when assessing licence applications.

81 We are considering administrative action under s55 of the National Credit Act to cancel or suspend the credit licences of those licensees who have failed to obtain AFCA membership. This is on the basis that those credit licensees are likely to be in contravention of their general conduct obligations in s47 of the National Credit Act. Similarly, we are also contemplating action against AFS licensees for non-compliance with the AFCA membership requirements and breaches of the general obligations in s912A of the Corporations Act. Failure to comply with those obligations will result in a licence cancellation or suspension.

Asia Region Funds Passport regime and proposed corporate collective investment vehicles regime

82 The [Asia Region Funds Passport](#) is a common framework of coordinated regulatory oversight to facilitate the cross-border marketing of managed funds across participating economies in the Asia region. Australia, Japan, Korea, New Zealand and Thailand are signatories to the regime's Memorandum of Cooperation, which took effect on 30 June 2016.

83 The Asia Region Funds Passport is an initiative of the Asia-Pacific Economic Cooperation (APEC) Group. Legislation to establish the regime in Australia received Royal Assent on 29 June 2018.

84 In July 2018, we released seven new or updated regulatory guides to provide comprehensive guidance to the funds management industry: see [Media Release \(18-222MR\) ASIC updates guidance for funds management industry](#) (31 July 2018).

85 These new and updated regulatory guides are:

- (a) [Regulatory Guide 131](#) *Funds management: Establishing and registering a fund* (RG 131);
- (b) [Regulatory Guide 132](#) *Funds management: Compliance and oversight* (RG 132);

- (c) [Regulatory Guide 133](#) *Funds management and custodial services: Holding assets* (RG 133);
- (d) [Regulatory Guide 134](#) *Funds management: Constitutions* (RG 134);
- (e) [Regulatory Guide 136](#) *Funds management: Discretionary powers* (RG 136);
- (f) [Regulatory Guide 137](#) *Constitution requirements for schemes registered before 1 October 2013* (RG 137); and
- (g) [Regulatory Guide 138](#) *Foreign passport funds* (RG 138).

- 86 We are continuing to update regulatory guides and information sheets to support the Asia Region Funds Passport regime and will release these amendments over the coming months. The regime launched on 1 February 2019. We will assess any applications from Australian passport fund operators to register a passport fund and consider any notifications from foreign passport fund operators to offer in Australia.
- 87 The proposed corporate collective investment vehicles (CCIVs) regime is an optional alternative to the managed investments regime in Ch 5C of the Corporations Act. The key objectives for the CCIV regime are to:
- (a) provide an internationally recognisable collective investment vehicle that will facilitate participation in the Asia Region Funds Passport;
 - (b) expand the range of collective investment schemes offered in Australia; and
 - (c) improve access to overseas markets, including the Asia Region Funds Passport regime.
- 88 A CCIV will be a public company that is limited by shares and structured as an umbrella fund with sub-funds, each of which may hold different assets and have different investment strategies. The CCIV will be operated by a corporate director that is an Australian public company that holds an AFS licence authorising it to operate a CCIV. Retail CCIVs will have the additional consumer protection safeguard of having a depository that is an AFS licensee (authorised to act as a depository) holding the assets of the CCIV on trust and having oversight of the operation of the CCIV.
- 89 In 2018, the Australian Government released for public consultation three tranches of the Treasury Laws Amendment (Corporate Collective Investment Vehicle) Bill 2018 and related explanatory materials. The Bill proposes to introduce a new chapter into the Corporations Act to establish a regulatory framework for CCIVs and to make a range of amendments to apply other chapters of the Corporations Act to CCIVs.

Expansion of crowd-sourced funding regime

- 90 Crowd-sourced funding (also called crowd-sourced equity funding) is a form of capital raising where start-up and small businesses can raise funds, generally from a large number of investors who each invest small amounts of money.
- 91 A retail investor can invest up to \$10,000 a year in each company in return for ordinary fully paid shares in that company. Eligible companies can raise up to \$5 million a year using crowd-sourced funding, but they must have less than \$25 million in assets and annual revenue (among other requirements).
- 92 Crowd-sourced funding is different from the donation-based crowd funding typically used by artists or entrepreneurs to raise money for one-off projects. It is also different from other forms of capital raising by companies—for example, through a prospectus—or by managed investment schemes through a Product Disclosure Statement.
- 93 The *Corporations Amendment (Crowd-sourced Funding) Act 2017* amends the Corporations Act to provide the legislative framework for the crowd-sourced funding (CSF) regime. The *Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018* extends the CSF regime to allow eligible proprietary companies to make offers of shares, which took effect on 19 October 2018: see [Regulatory Guide 261](#) *Crowd-sourced funding: Guide for companies* (RG 261).
- 94 CSF intermediaries seeking to host CSF offers on their platform must hold an AFS licence with an authorisation to ‘act as a crowd sourced funding intermediary’.
- 95 CSF intermediaries do not need a separate authorisation to deal in the securities offered on their CSF platform. However, if they provide financial product advice (personal or general), they must have the relevant AFS licence authorisation to do so.
- 96 When assessing an AFS licence application to act as CSF intermediary, we will consider a range of factors, including the applicant’s competence, capacity, good fame and character, and whether they are likely to comply with their ‘general obligations’ as an AFS licensee under s912A(1) of the Corporations Act.
- 97 Besides the general obligations applicable to all AFS licensees, CSF intermediaries have specific additional obligations under the CSF regime,. For full details, see [Media Release \(17-321MR\)](#) *ASIC facilitates crowd-sourced funding by public companies* (21 September 2017), [Regulatory Guide 262](#) *Crowd-sourced funding: Guide for intermediaries* (RG 262) and [RG 261](#).

98 We expect that an AFS licence application to act as CSF intermediary will be related to a specific single platform on a particular website. We also expect that this platform will be the applicant's own and not sourced or 'white-labelled' from another entity. Applicants cannot appoint an authorised representative to operate their CSF platform, including to deal with applications or hold the investors' application money trust account. However, an authorised representative may be appointed to provide other aspects of the CSF service, such as operating the communication facility, transacting in relation to the trust account or performing certain checks.

Repealing licensing relief for foreign financial service providers

99 We can exempt a foreign financial services provider (FFSP) carrying on a financial service business in Australia from the requirement to hold an AFS licence: see s911A(2) of the Corporations Act. We generally grant relief only if:

- (a) the FFSP only provides financial services in Australia to wholesale clients;
- (b) the particular financial services are regulated by an overseas regulatory authority;
- (c) the regulatory regime overseen by the overseas regulatory authority is sufficiently equivalent to the Australian regulatory regime;
- (d) there are effective cooperation arrangements between the overseas regulatory authority and ASIC; and
- (e) the FFSP meets all the relevant conditions of relief imposed by ASIC.

100 There are two types of relief available to FFSPs dealing with wholesale clients:

- (a) sufficient equivalence relief—where we have assessed the overseas regime from which the entity operates as sufficiently equivalent to the Australian regime; and
- (b) limited connection relief—where the entity's activities only have a limited connection to Australia.

101 If an FFSP is relying on an existing class order, it needs to comply with the conditions in the class order.

102 Additionally, entities may apply for individual relief that is specific to a particular FFSP and the services it provides, or intends to provide, in Australia.

103 Relief provided to FFSPs is conditional relief. Some conditions are standard (e.g. relating to notifications or disclosure) and some conditions may be tailored to the particular FFSP or class of FFSP. Failure to comply with the

conditions of relief, particularly under the class orders for sufficient equivalent relief, may result in the relief automatically lapsing.

104 The current FFSP licensing relief is due to expire on 30 September 2019: see [Media Release \(18-278MR\)](#) *ASIC extends relief for foreign financial services providers* (21 September 2018). After that date, we propose to repeal the relief and require FFSPs to apply for an AFS licence (a ‘foreign AFS licence’) with modified requirements: see [Consultation Paper 301](#) *Foreign financial service providers* (CP 301).

105 The foreign AFS licence proposed in CP 301 would:

- (a) require a foreign AFS licensee to comply with the general obligations under s912A(1) of the Corporations Act—except the obligations relating to adequate resources, competence, training of representatives and compliance with any regulations made;
- (b) exempt FFSPs who come from sufficiently equivalent overseas jurisdictions from the application of certain provisions of the Corporations Act and Corporations Regulations 2001 where we consider the overseas regulatory regime achieves similar regulatory outcomes to the Corporations Act;
- (c) impose the conditions that apply to financial services and products provided only to wholesale clients as set out in [Pro Forma 209](#) *Australian financial services licence conditions* (PF 209);
- (d) impose additional conditions (by legislative instrument) prohibiting the foreign AFS licensee from appointing representatives other than:
 - (i) employees or directors of the foreign AFS licensee or employees or directors of wholly owned bodies corporate of the foreign AFS licensee; or
 - (ii) authorised representatives that are wholly owned bodies corporate of the foreign AFS licensee;
- (e) require the foreign AFS licensee to notify ASIC, as soon as practicable and in any event within 15 business days after the licensee becomes aware or should reasonably have become aware, and in such form if any as ASIC may from time to time specify in writing, of the details of each significant:
 - (i) change to (including termination of) the relevant registration or authorisation in the licensee’s home jurisdiction;
 - (ii) exemption or other relief that the licensee obtains from the regulatory requirements in the licensee’s home jurisdiction; and
 - (iii) enforcement action, significant disciplinary action and/or significant investigation undertaken by any overseas regulatory authority against the licensee in a foreign jurisdiction; and

- (f) require foreign AFS licensees who have appointed a local agent in Australia to notify ASIC of any changes to their local agent's name and contact details. They must notify ASIC no later than one month after the change.

106 The consultation period for CP 301 concluded on 31 July 2018 and we are currently considering the submissions received in response.

Facilitating innovation

ASIC's Innovation Hub

107 We remain committed to encouraging innovation that has the potential to benefit consumers. We are equally committed to ensuring that the regulation of new financial and credit products and services is appropriate, effective and promotes investor and consumer trust and confidence.

108 We introduced the [Innovation Hub](#) in April 2015 to help financial technology (fintech) start-up businesses develop innovative financial products and services to navigate our regulatory system.

109 Eligible businesses can request informal guidance through the Innovation Hub on the licensing process and the key regulatory issues that they should consider in setting up their business.

110 Eligible businesses are those that propose to offer potentially groundbreaking innovative products or services that could provide a better outcome for investors and consumers. They either do not currently have an AFS or credit licence, they may be in the process of obtaining a licence, or they may have been operating with a licence for less than 12 months.

111 As at December 2018, ASIC's Innovation Hub has provided informal assistance to 347 entities, met with 85 regtech entities, and granted 69 AFS and credit licences: see ASIC's [Innovation Hub](#) web page.

112 We are also continuing to focus on promoting Australia as a world leader in the development and adoption of regtech solutions, and assisting and collaborating with the regtech industry by supporting trials and proof of concept work. In 2017, we established the Regtech Liaison Forum to facilitate networking and discussion of regtech developments and opportunities. The forum's meetings are hosted in ASIC's Sydney and Melbourne offices, with sites in Perth, Brisbane and Adelaide connected via video conference.

ASIC sandbox licensing exemption

113 In December 2016, we released [Regulatory Guide 257 Testing fintech products and services without holding an AFS or credit licence \(RG 257\)](#),

which contains information about Australia's 'regulatory sandbox' framework.

114 The regulatory sandbox framework provides three broad options for testing a new fintech product or service without a licence:

- (a) licence exemptions already provided by the law or by ASIC;
- (b) ASIC's 'fintech licensing exemption'; and
- (c) tailored individual licensing exemptions granted by ASIC to businesses on a case-by-case basis.

115 The fintech licensing exemption—provided under [ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#) and [ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#)—allows eligible businesses to test certain products and services for 12 months without needing to obtain an AFS licence or credit licence, respectively. It is intended to reduce the regulatory burden on innovative businesses, thereby addressing some of the key barriers to innovation that we have identified.

116 ASIC's regulatory sandbox is unique because it is the only sandbox internationally to allow an automatic fintech licensing exemption for specific services over a specific time period for participants who qualify: see Section C in RG 257. Within ASIC's remit, the licensing exemption aims to balance the benefits of concept validation testing against the risk of consumer harm from poor conduct by unlicensed businesses that have no track record of providing financial services to consumers.

117 As at December 2018, six entities have relied on the regulatory sandbox framework. Over 42 other entities have indicated an interest in using the framework but have not proceeded for various reasons, including being advised that other ASIC licensing exemptions were available.

118 Other licensing exemptions include exemptions for the provision of:

- (a) financial services in relation to 'low-value', non-cash payment products;
- (b) generic financial calculators; and
- (c) some services in relation to mortgage offset accounts.

Enhanced regulatory sandbox proposal

119 The Australian Government has introduced the [Treasury Laws Amendment \(2018 Measures No. 2\) Bill 2018](#) into Parliament to extend the regulatory sandbox to a broader selection of financial products than it currently applies to, including:

- (a) financial advice on superannuation, life insurance, and domestic and international securities;

- (b) issuing and facilitating consumer credit;
- (c) issuing non-cash payment products; and
- (d) providing a crowd-funding service.

The proposal would exempt fintech businesses from the AFS and credit licence requirements for the purposes of testing these financial and credit products and services under certain conditions.

120 The enhanced regulatory sandbox also proposes to extend the maximum licence exemption period from the current 12 months to 24 months.

121 The enhanced regulatory sandbox is intended to further promote Australia's fintech capability and to strike a better balance in encouraging innovation that delivers choice for consumers while minimising risks to consumers and the integrity of the financial system. It will allow businesses to confirm their concept through initial market testing before seeking the appropriate licence from ASIC. It will let businesses test matters such as the interest of the intended consumer segment, delivery approach, clarity of marketing and communications, pricing structures, and the reliability of technology.

Note: See Explanatory Memorandum to the Treasury Laws Amendment (2018 Measures No. 2) Bill 2018 at paragraph 1.6

International regulatory cooperation

122 We understand that innovation in financial services is not confined by national borders and that some businesses will want to test their concepts in foreign markets. We have signed cooperation agreements with overseas regulators to help innovative fintech businesses to make ventures into international markets.

123 These agreements, as listed in Table 3, will help break down barriers to entry in foreign markets. We will be able to refer fintech start-up businesses to the relevant international regulators, establishing a relationship between the business and the regulator that will help the business receive informal assistance on the regulatory environment they may face.

Table 3: Fintech cooperation agreements between ASIC and overseas regulators

Jurisdiction	Regulator	Type of agreement
Canada	Ontario Securities Commission (OSC)	ASIC–OSC referral and information-sharing agreement (3 November 2016)
	Canadian Securities Administrators (CSA)	ASIC–CSA innovation functions cooperation agreement (11 December 2017)
China	China Securities Regulatory Commission (CSRC)	ASIC–CSRC information sharing agreement (3 November 2017)

Jurisdiction	Regulator	Type of agreement
Hong Kong	Hong Kong Securities and Futures Commission (HKSF)	ASIC–HKSF referral and information-sharing agreement (13 June 2017)
Indonesia	Otoritas Jasa Keuangan (OJK)	ASIC–OJK information-sharing agreement (21 April 2017)
Japan	Japan Financial Services Agency (JFSA)	ASIC–JFSA exchange of letters framework (23 June 2017)
Kenya	Capital Markets Authority of Kenya (CMA)	ASIC–CMA information-sharing agreement (21 October 2016)
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)	ASIC–CSSF referral and information-sharing agreement (4 October 2018)
Malaysia	Malaysia Securities Commission (SC)	ASIC–SC referral and information-sharing agreement (29 June 2017)
Singapore	Monetary Authority of Singapore (MAS)	ASIC–MAS referral and information-sharing agreement (16 June 2016)
Switzerland	Swiss Financial Market Supervisory Authority (FINMA)	ASIC–FINMA referral and information sharing agreement (18 October 2017)
United Arab Emirates	Abu Dhabi Global Market (ADGM) Financial Services Regulatory Authority (FSRA)	ASIC–Abu Dhabi FSRA referral and information sharing agreement (26 July 2017)
	Dubai Financial Services Authority (DFSA)	ASIC–Dubai DFSA referral and information sharing agreement (23 November 2017)
United Kingdom	UK Financial Conduct Authority (FCA)	ASIC–FCA referral and information-sharing agreement (23 March 2016)
		ASIC–FCA enhanced referral and information sharing agreement (22 March 2018)
United States	Commodity Futures Trading Commission (CFTC)	ASIC–CTFC referral and information sharing agreement (4 October 2018)

Changes to relief for managed discretionary accounts

- 124 On 29 September 2016, we replaced Class Order [CO 04/194] *Managed discretionary accounts* with ASIC Corporations (Managed Discretionary Accounts) Instrument 2016/968, and also updated [Regulatory Guide 179](#) *Managed discretionary account services* (RG 179). These changes affected all existing managed discretionary account (MDA) operators relying on our no-action position, those advisers who provide MDA services to clients either through an MDA operator or through a regulated platform, and those who intend to provide MDA services through a regulated platform in the future.

125

The key changes introduced the following new requirements:

- (a) Entities that provide an MDA service to retail clients or to *both* retail and wholesale clients (including those previously relying on the no-action position) must have specific AFS licence authorisations to:
 - (i) deal by issuing either ‘interests in managed investment schemes limited to MDA services’ or ‘miscellaneous financial investment products limited to MDA services’;
 - (ii) deal in all the financial products that are acquired with client portfolio assets under the MDA contract;
 - (iii) provide personal advice to clients about the MDA service (except in circumstances where an external MDA adviser directly contracts with each MDA client to provide this advice); and
 - (iv) provide custodial or depository services for the client portfolio assets held under the MDA service (except in circumstances where an external MDA custodian directly contracts with each MDA client to provides this).
- (b) Entities that provide an MDA service to retail clients or to *both* retail and wholesale clients must obtain prior written consent from the client if they have discretion to invest client portfolio assets in non-limited recourse products (e.g. contracts for difference).
- (c) Entities that provide an MDA service to retail clients or to *both* retail and wholesale clients must offer specific upfront disclosure relating to the following aspects of the MDA service:
 - (i) termination;
 - (ii) fees charged; and
 - (iii) outsourcing of significant functions of the MDA.
- (d) Entities that provide MDA services to wholesale clients *only* should confirm their position on whether the MDA service would constitute a managed investment scheme (for which specific AFS licence authorisations are required). However, if they offer or issue an MDA service only to wholesale clients, they do not need to rely on our MDA relief to provide these services because the managed investment scheme provisions in Ch 5C of the Corporations Act and the disclosure requirements in Pt 7.9 of the Corporations Act only apply when financial products and services are offered or issued to retail clients.
- (e) Entities that provide MDA services to ‘family members’ are exempted from the requirement to hold an AFS licence with MDA authorisations, to register the scheme and from certain disclosure requirements, unless the family members’ funds will be invested in non-recourse financial products.

Note: ‘Family member’ is defined to mean a spouse or non-adult child.

- (f) MDA providers must lodge breach notifications (under s912D of the Corporations Act) with ASIC no later than 10 business days after they become aware of the breach or likely breach, instead of five business days. This is now consistent with the obligation for all AFS licensees.

126 AFS licensees who provided MDA services before 1 October 2016 under the relief in [CO 04/194] were required to transition to the new MDA regime by 1 October 2017, while those AFS licensees who relied on our no-action position for changing investments on a regulated platform were required to transition by 1 October 2018.

127 Since the changes to our MDA relief, we have received and finalised 41 applications (comprising 18 new applications and 23 variation applications) to provide MDA services (including authorisations for managed investment schemes limited to MDA services or miscellaneous financial investment products limited to MDA services).

128 We are considering a project to examine current and emerging risks associated with MDAs offered through regulated platforms. The project is likely to focus on fee arrangements, risk disclosure, conflicts of interests and quality of personal financial advice.

Introduction of restricted ADI regime for ‘neobanks’

129 Banks that operate completely digitally are often referred to as ‘neobanks’. Typically, neobanks offer their services exclusively through an app rather than from a physical branch or office, and they employ new digital technology that is different to legacy physical infrastructure or digital operating systems used by existing financial institutions.

130 APRA has introduced a restricted authorised deposit-taking institution (ADI) licence regime for neobanks. This new framework enables eligible entities to seek a restricted ADI licence, which allows them to conduct a limited range of banking activities for two years. The rationale behind the framework is to assist restricted ADIs to conduct limited, lower risk banking business during their start-up phase and develop the necessary resources and/or capabilities to pursue a non-restricted ADI licence. After the two-year testing period, the restricted ADI licensee must apply to APRA for a non-restricted ADI licence or exit the banking industry.

131 The restricted ADI route is not available to entities wishing to become providers of purchased payment facilities (PPF), as PPF providers are subject to a separate specific prudential framework that is already substantially streamlined. They will have to apply directly for an ADI licence limited to carrying on PPF activities.

- 132 Further details on the restricted ADI framework, including eligibility criteria and measures to limit risks to consumers may be found in APRA's information paper, [ADI licensing: Restricted ADI framework](#) (PDF 832 KB). Some neobanks have taken alternative approaches that do not require a restricted ADI licence: for example, aligning themselves with an existing ADI and overlaying their own technology onto the ADI's core banking infrastructure, or initially obtaining an AFS licence to provide a reloadable payment card product only (without taking deposits) and using this business to develop, scale and test their technology.
- 133 Once APRA has granted an applicant a restricted ADI licence, it can use restricted terms like 'bank', 'banker', 'banking' and 'ADI' in reference to its business and will be able to register a previously reserved company name with ASIC and call itself by that name. However, restricted ADIs must still make certain disclosures to consumers to make it clear to them that they are operating on a restricted licence.
- 134 To date, we have approved two entities for an AFS and credit licence that has also been approved by APRA as a restricted ADI.

Self-managed superannuation fund research

- 135 An SMSF is a private superannuation fund that is privately managed. Unlike larger superannuation funds, SMSFs are regulated by the Australian Taxation Office (ATO), rather than APRA.
- 136 Our role in relation to SMSFs is to regulate the financial advice providers, SMSF auditors, and providers of financial products and other financial services to SMSFs.
- 137 The SMSF sector has seen continued strong growth. It is also affected by many recent regulatory changes designed to address concerns about the quality of financial advice. These changes include:
- (a) the introduction of consumer protection requirements under the Future of Financial Advice (FOFA) reforms (1 July 2013);
 - (b) the introduction of the financial advisers register (31 March 2015);
 - (c) the removal of the AFS licensing exemption for accountants (1 July 2016); and
 - (d) measures to increase the professional, ethical and education standards for financial advisers (coming into effect between 1 January 2019 and 1 January 2024).
- 138 In light of the growth in the use of SMSFs and the statutory reforms, in March 2017 ASIC commissioned an independent market research agency to explore why members had set up an SMSF and their experiences in running their SMSF.

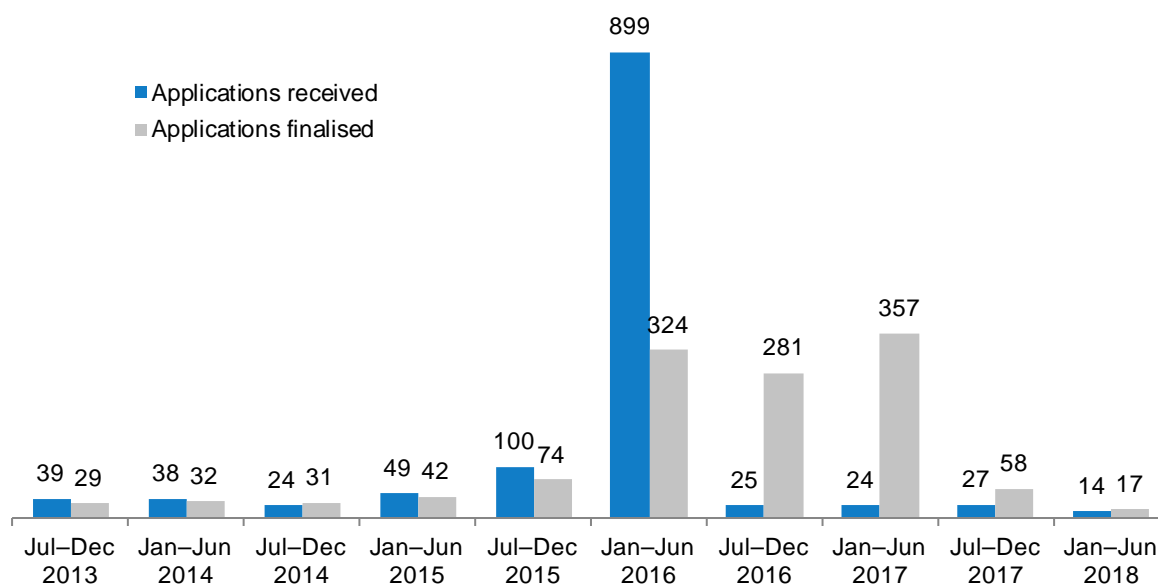
- 139 The online survey involved 457 members who had set up an SMSF in the preceding five years. In brief, we found:
- (a) many members lacked a basic understanding of their SMSF and their legal obligations as SMSF trustees;
 - (b) approximately one-third of respondents found setting up and running their SMSF to be more costly and time consuming than expected; and
 - (c) a growing use of ‘one-stop shops’, where the adviser has a relationship with a developer or real estate agent, whose products they encourage the client to invest in.
- 140 For the full details of our market research, see [Report 576](#) *Member experiences with self-managed superannuation funds* (REP 576).
- 141 In 2017, ASIC also engaged an independent expert to review 250 client files where an advice provider gave personal advice to set up an SMSF to clients. We wanted to test whether advice providers were complying with the best interests duty and related obligations, and with the ‘switching advice’ requirements in s947D of the Corporations Act, when providing advice to clients to set up an SMSF.
- 142 In an unacceptably high proportion of the files reviewed, advice providers did not demonstrate compliance. This non-compliance ranged from process failures to recommendations likely to lead to financial loss. We found instances of:
- (a) the client being at risk of becoming significantly worse off in retirement as a result of following the advice (10% of files),
 - (b) the advice provider not demonstrating compliance with the best interests duty and related obligations (62% of files); and
 - (c) the advice provider not satisfying the safe harbour for the best interests duty (87% of 94% of files) (see s961B(2)(e) of the Corporations Act).
- 143 We set out these findings in [Report 575](#) *SMSFs: Improving the quality of advice and member experiences* (REP 575) and we will be taking follow-up regulatory action, particularly in situations where consumers have suffered detriment.

Limited AFS licences

- 144 Advice providers play a critical role in ensuring that consumers only set up an SMSF where it is in the consumer’s best interest.
- 145 The former exemption under the Corporations Regulations 2001 permitted ‘recognised accountants’ to provide an advice recommendation, in relation to an SMSF, to acquire or dispose of a superannuation product without holding an AFS licence: regs 7.1.29(5)(c)(ii) and 7.1.29A.

- 146 As part of the FOFA reforms under the *Corporations Amendment (Future of Financial Advice) Act 2012*, this exemption ceased to apply from 1 July 2016. All accountants who give advice to clients about acquiring or disposing of an interest in an SMSF must either hold a ‘limited AFS licence’ or become an authorised representative of someone who holds the appropriate AFS licence authorisations.
- 147 By 30 June 2018 (i.e. two years after the end of the transition period for the AFS licensing exemption for accountants) we had received 1,253 limited AFS licence applications. Of these:
- we approved 822 applications (with 23 additional approvals during 2017–18);
 - applicant withdrew 177 applications (with 27 additional withdrawals during 2017–18);
 - we did not accept 248 applications for lodgement (with 23 additional applications rejected for lodgement during 2017-18);
 - we refused 8 applications (with 7 refusals during 2017–18); and
 - 2 applications are pending as at the date of this report.

Figure 1: Number of limited AFS licence applications received or finalised (1 July 2013 to 30 June 2018)



Note: See Table 8 in the appendix for the complete data used in this figure (accessible version).

ASIC Regulatory Portal

- 148 We are currently transforming our regulatory business by:
- making it simpler and easier to interact with ASIC;
 - streamlining our processes to facilitate compliance; and

- (c) making better use of data through continued enhancements to the way we capture, govern and share data, and through the use of analytics.
- 149 We are building an integrated digital platform, which will give ASIC the flexibility to meet our future needs and those of our stakeholders, including:
- (a) a unified repository of internal and external regulatory information;
 - (b) a consistent approach to managing and recording ASIC activities and processes; and
 - (c) the [ASIC Regulatory Portal](#) and online forms, which are aligned with the Australian Government's digital transformation agenda.
- 150 The ASIC Regulatory Portal is where our regulated community can access our increasing suite of digital services. It will replace many of ASIC's existing online channels. It is an important first step on ASIC's journey to improve stakeholder experience when transacting and interacting with ASIC and how we deliver online services over time.
- 151 What regulated entities can do in the portal (i.e. what they can submit, apply for or register for) will grow over time. Regulated entities with industry funding obligations commenced using the portal to submit business activity metrics in July 2018. A range of other regulatory services will be available through the portal in stages.
- 152 In 2019, we intend to add services for:
- (a) existing or potential licensees or managed fund operators and their representatives—AFS licensees, credit licensees, market operators and managed fund operators;
 - (b) existing or potential registered professionals—liquidators, auditors and authorised audit companies; and
 - (c) organisations—officeholders or employees who notify or interact with ASIC on behalf of a regulated entity.
- 153 The portal will allow regulated entities to:
- (a) track the status of their applications and transactions;
 - (b) use information they have previously supplied to pre-fill applications and transactions;
 - (c) use more payment options, including credit card;
 - (d) correspond with ASIC through the portal about submitted applications or transactions;
 - (e) ensure greater security through use of their own individual portal user account and password;
 - (f) act on behalf of multiple entities (individuals or organisations)—for example, they may be an officeholder (director or secretary of a

company), in which case they can register and claim that entity. They may then invite others to act on their behalf or they may be invited by an entity or an officeholder to act on the latter's behalf in the portal; and

- (g) define user access levels that control what others can do on their behalf—for example, user access levels can be restricted so that some users can launch and edit a transaction, but they cannot submit it.

154 Transactions that auditors, liquidators, AFS licensees and credit licensees will be able to complete in the portal include:

- (a) applying for, varying, cancelling or suspending (where applicable) a registration or licence;
- (b) updating registration or licence details;
- (c) lodging annual statements (auditors) or annual returns (liquidators);
- (d) lodging annual compliance certificates (credit licensees and limited AFS licensees);
- (e) lodging financial statements (AFS licensees); and
- (f) nominating responsible managers (AFS licensees).

Licensing: Policy and procedures

Updating the financial advisers register

155 The [financial advisers register](#) commenced in March 2015. It is a register of individuals who, since 31 March 2015, have been authorised to provide personal advice to retail clients on relevant financial products (i.e. all financial products other than basic banking products, general insurance products or consumer credit insurance, or a combination of any of these products).

Information about relevant providers

156 With the introduction of the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017*, we must progressively include additional information on relevant providers on the financial advisers register from 15 November 2019: see paragraph 69. This includes:

- (a) the relevant provider's principal place of business;
- (b) the compliance scheme that covers the relevant provider;
- (c) details of any failure by the relevant provider to comply with the code of ethics;
- (d) if relevant, a statement that the relevant provider has not met their CPD requirements; and

- (e) if they are a provisional relevant provider:
 - (i) the fact that they are a provisional relevant provider; and
 - (ii) the day that they commence their professional year.

Information about AFS licensees

- 157 AFS licensees can now update all details online for financial advisers and authorised representatives using [ASIC Connect](#). The paper form used to notify changes previously has been removed. We have updated the invoice to include specific representative details and show the type of fee that was incurred.
- 158 AFS licensee's controllers can be notified through the AFS licensee portal using [Form FS20 Change of details for an Australian financial services licensee](#).
- 159 Fees and notification periods apply for the financial adviser and authorised representative registers. Licensees have 30 business days from the effective date of change to notify appointments or updates. See our website for [full details on fees and how to complete various tasks on the financial advisers register](#).

ASIC's service charter: Our assessment objectives

- 160 As set out in the [ASIC service charter](#), we aim to decide whether to grant or vary an AFS licence or credit licence within 150 days of receiving a complete application in at least 70% of cases, and within 240 days in at least 90% of cases.
- 161 Table 4 sets out our results for 2017–18.

Table 4: ASIC service charter results 2017–18

Application type	Finalised in 150 days	Finalised in 240 days
New AFS licence	74%	88%
AFS licence variation	75%	86%
New credit licence	87%	93%
Credit licence variation	90%	94%

- 162 Licence applications that take more than 150 days to finalise have generally been more complex, requiring considerable additional work. However, a greater regulatory focus on problematic applications has also affected this.

163 Performance against this measure has also been affected by ASIC's resourcing and an increase in the number applications as a result of other factors, such as the expiry of the no-action MDA position and the transition period for the AFS licensing exemption for accountants.

Licensing: ASIC hearing delegates and AAT applications

ASIC hearing delegates

164 During the relevant period, the Licensing team referred 11 applications to ASIC hearing delegates, with a recommendation that each of the applications be refused.

165 The Licensing team referred these applications because of concerns about:

- (a) the good fame and character of the nominated responsible managers, due to a failure in the application to disclose prior criminal convictions;
- (b) the past conduct of directors and/or responsible managers, and poor responses to requests for additional information, which meant that the team were not satisfied that all of the preconditions in s913B(1) had been met; and
- (c) the applicant failing to respond to requirements the team identified as needing to be addressed before ASIC could issue a licence, which meant that s913B(1)(ca) of the Corporations Act had not been satisfied.

166 Eight of these applications were for an AFS licence, and the other three were for a credit licence.

167 The outcomes of these referrals to the hearing delegates were:

- (a) in six cases, the delegate agreed with the Licensing team's recommendations, and refused the application;
- (b) in two cases (both credit licence applications), the delegate determined to grant the licence application because:
 - (i) in one case, further consumer credit experience which met ASIC requirements had been obtained since lodgement of the initial application. Also, omissions in the original application documents were minor; and
 - (ii) in the other case, revised compliance documents that the applicant submitted at the hearing met ASIC requirements, and the small and limited nature of the proposed credit business meant that available human resources were sufficient; and
- (c) in three cases, the applicants withdrew their application before the matter proceeded to a hearing.

AFS licence application—Concerns about false and misleading representations and inexperience of principal officer

- 168 On March 2017, we received an application for an AFS licence seeking to provide advice and dealing services for derivatives, foreign exchange and securities.
- 169 The Licensing team was concerned that the applicant had made a number of false and misleading representations on its website about the applicant’s operations overseas and regulation by an overseas regulator. In particular, that applicants’ website indicated it:
- (a) operated as a financial adviser and dealer in an overseas jurisdiction;
 - (b) was regulated by the financial authority of that jurisdiction;
 - (c) held an AFS licence; and
 - (d) currently offered advice and dealing services in financial products even though an AFS licence had not been granted.
- 170 In addition, the team was concerned that the principal officer of the applicant had not demonstrated sufficient experience in advising and dealing in derivatives and foreign exchange contracts.
- 171 Given the above, the team concluded that the applicant would likely not comply with the obligations in the Corporations Act to:
- (a) do all things necessary to all things necessary to ensure the financial services covered by the ASF licence are provided efficiently, honestly and fairly (see s912A(1)(a));
 - (b) comply with financial services laws (see s912A(1)(c)); and
 - (c) maintain the competence to provide the financial services covered by the AFS licence (see s912A(1)(e)).
- 172 When the ASIC hearing delegate presented ASIC’s concerns, the applicant withdrew the licence application before the hearing proceeding.

Credit licence application—Concerns about previous failure to comply with National Credit Act

- 173 An application was lodged in December 2016 with ASIC for a credit licence with authorisations to act as a credit intermediary.
- 174 The Licensing team was concerned that the past ongoing failures to comply with the lodgement requirements of s53(1) of the National Credit Act meant that the applicant would not comply with the obligation to comply with the credit legislation: see s47(1)(d) of the National Credit Act. The team recommended the hearing delegate refuse the application, and they agreed.

- 175 The team's concerns were that, under a separate credit licence, the responsible manager for the applicant had failed to ensure compliance with the requirements of the National Credit Act. The credit licensee had lodged the annual compliance certificate:
- (a) for the 2011–12, 2012–13 and 2013–14 financial years, between two and seven months late;
 - (b) for the 2014–15 financial year, 23 months (nearly two years) late;
 - (c) for the 2015–16 financial year, nine months late.
- 176 The applicant made three submissions, none of which were accepted by the delegate. Accordingly, the delegate determined that the application had to be refused.
- 177 The applicant interpreted the requirement in the National Credit Act that we must grant the licence if we have 'no reason to believe that the person is likely to contravene the obligations that would apply under section 47' (see in s37(1)(b)) means that we must not grant the licence if it is *more likely than not* that the applicant would breach the obligations. They also interpreted the relevant considerations to determine whether a person is 'fit and proper' (see s37(2)) as indicating that only serious misconduct is relevant.
- 178 The delegate was of the view that the test was not that the applicant was *more likely than not* to contravene obligations under s47. The delegate followed the decision of the AAT in [*One RE Services Limited and Australian Securities and Investments Commission \[2012\] AATA 294*](#) (One RE), which also involved an application for an AFS licence. In One RE, the AAT observed that:
- One RE submitted there was no evidence that One RE will not comply with s 912A of the Act. In my view, this is not the test. ... Under s 913B(1) it is not necessary for me to form a view about whether One RE will or will not comply with the obligations under s 912A of the Act but rather whether there is 'no reason to believe' it will not comply. While the expression 'reason to believe' poses a 'relatively low threshold', the requirement that there be 'no reason to believe' sets a benchmark that has the practical effect of shifting the onus to an applicant for an AFSL to establish, to the reasonable satisfaction of the decision-maker, that it will comply with the obligations under s 912A. If there is any doubt based on the objective facts, the decision-maker will not be able to form such a view.
- 179 The applicant also argued that, as the separate credit licensee had lodged its 2017 annual compliance certificate on time, this demonstrated that compliance issues were no longer relevant. However, the delegate was of the view the applicant had not demonstrated adequate compliance mechanisms to address compliance with day-to-day obligations for the purposes of s47(1)(d).

180 Finally, the applicant suggested that licence conditions could be imposed to
address the compliance concerns. The delegate was of the view that this
would still not satisfy the test in s37(1)(b).

AAT applications and decisions

181 During the relevant period, ASIC had five matters before the AAT. All those
matters were about applications for AFS licences.

182 As at the date of this report, the AAT has upheld the ASIC delegate's
decision to refuse to grant an AFS licence in three of these matters. In one
matter, we agreed to grant the AFS licence with tailored licence conditions.
These conditions were accepted by the AAT. In the remaining matter, the
AAT hearing has been completed and we are awaiting the decision.

Licensing conduct matters

False statements in an AFS licence application

183 Andrew Law was convicted in the Southport Magistrates Court for making
false or misleading statements in documents submitted to ASIC. Mr Law
was fined \$3,000.

Note: See [Media Release \(18-353MR\)](#) *Former manager convicted of making false or misleading statements to ASIC in a licence application* (22 November 2018).

184 Mr Law was listed as a responsible manager on three AFS licence
applications. On those application, Mr Law falsely stated he had never been
bankrupt. Further documents submitted to ASIC also failed to disclose the
past bankruptcy.

185 Mr Law was charged with three counts of knowingly making false or
misleading statements in documents submitted in support of AFS licence
applications from 2013 to 2015 and was convicted in November 2018.

186 False statements made in AFS licence applications affect the Licensing
team's ability to assess whether an applicant will provide financial services
efficiently, honestly and fairly. If a proposed responsible manager makes
false statements to ASIC, this raises serious concerns about their honesty and
character.

AFS licensee and credit licensee—Breaches of obligations and consumer protection requirements

187 In October 2018, the Federal Court found that Financial Circle Pty Ltd, a
company that held both an AFS licence and a credit licence, had:

- (a) made false and misleading representations;
- (b) engaged in unconscionable conduct;

- (c) failed to act in its clients best interests; and
- (d) engaged in credit lending for which it was not authorised.

Note: See [Media Release \(18-334MR\)](#) *Melbourne financial services and credit business to pay \$9 million for multiple breaches of obligations and consumer protection laws* (5 November 2018)

188 The court ordered that the company:

- (a) be permanently restrained from carrying on a financial services business;
- (b) be permanently restrained from providing credit or entering into a credit contract as a credit provider;
- (c) pay civil penalties; and
- (d) pay ASIC's costs

189 In November 2018 we cancelled both the AFS licence and credit licence of the company, under s915B(3)(a) of the Corporations Act and s54(1)(b) of the National Credit Act.

Note: See [Media Release \(18-362MR\)](#) *ASIC cancels financial services and credit licences of Financial Circle* (30 November 2018).

B Regulated population: Licensing and registration

Key points

This section sets out a brief overview of the AFS licensing, credit licensing and registered professional population since inception.

Applications for a new licence, licence variation or professional registration are thoroughly assessed, and the outcome will depend on this assessment. As such, an application may be approved, approved with changes, rejected, withdrawn or refused.

How we work with the regulated population

- 190 The Licensing team fills an important gatekeeping role for ASIC. The assessment of applications is not an automatic process; each application is subject to a detailed and rigorous assessment.
- 191 We aim to keep applicants informed about the progress of their applications during our assessment. We will often consult other ASIC stakeholder and enforcement teams, or we may seek information externally (e.g. from other local or international regulators).
- 192 A detailed explanation about how AFS and credit licensing and professional registration applications are determined—including rejection, approval, withdrawal and refusal—is set out in our first report: see paragraphs 53–64 of [REP 433](#).
- 193 We have provided key statistics (as at 1 July 2017) on the selected areas shown in Table 5.

Table 5: ASIC’s AFS and credit licensing and registration responsibilities

Activity	Date started with ASIC
Liquidator and company auditor registration* Note: ASIC’s predecessor (the Australian Securities Commission) assumed responsibility for liquidator and company auditor registration under the <i>Corporations Act 1989</i> .	<i>Corporations Act 1989</i> — Assented on 14 July 1989
AFS licensing	11 March 2002 (transition period ended 10 March 2004)
Credit licensing	1 July 2010
Approved SMSF auditor registration	1 January 2013

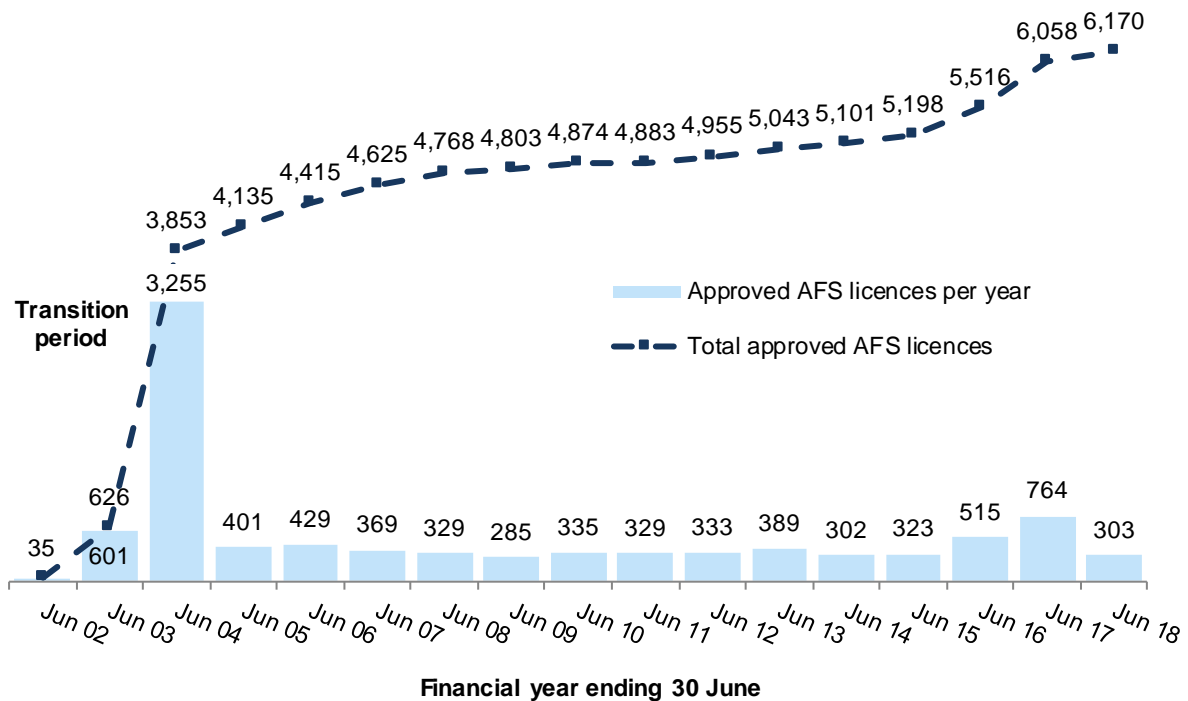
194 Figure 2–Figure 7 show the regulated population for AFS licensees, credit licensees, liquidators and auditors.

AFS licensees

195 The number of AFS licensees increased significantly during the relevant period. A large number of limited AFS licence applications were lodged in the lead-up to the end of the transition period on 30 June 2016, and the finalisation of these assessments that flowed through into the relevant period.

196 Overall, excluding the limited AFS licence applications in the past two financial years, the average annual rate of increase in the number of AFS licensees remains around 2.6%, from the end of the AFS licensing transition period in March 2004. With limited AFS licensees included, the average annual rate of increase rises to 3.4%: see Figure 2.

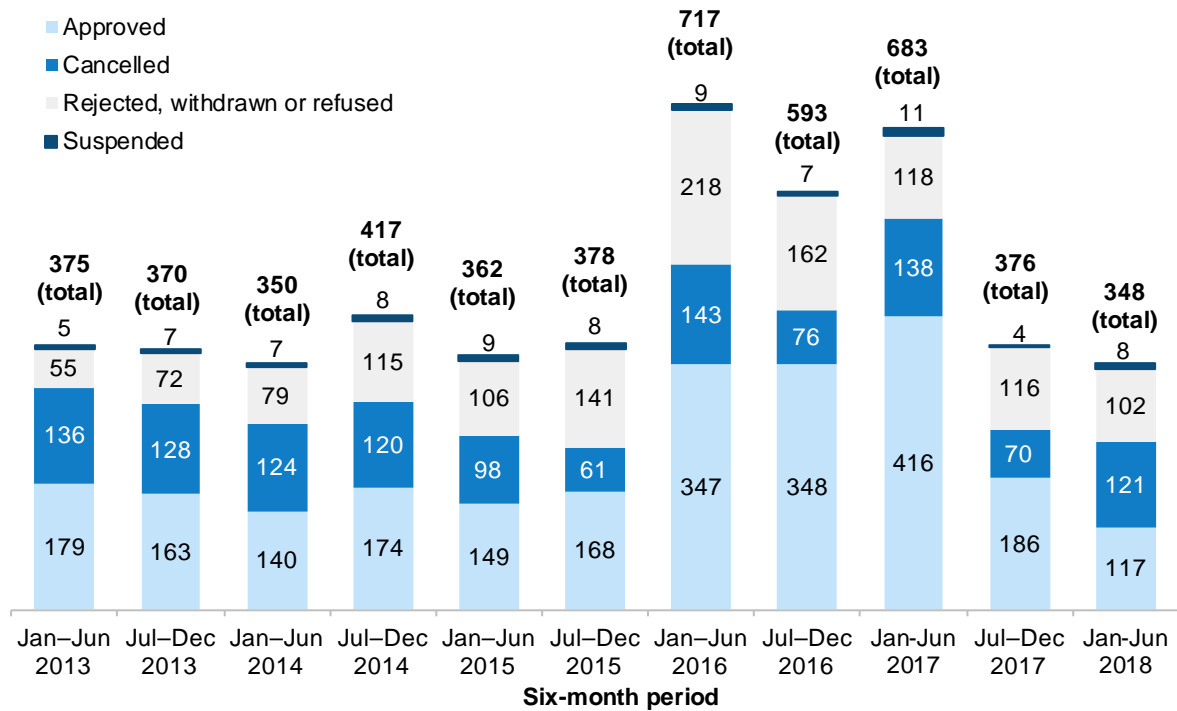
Figure 2: AFS licences approved per financial year and total number of approved AFS licences



Note: See Table 9 in the appendix for the complete data used in this figure (accessible version).

197 Excluding the limited licence approvals, AFS licence approvals have remained fairly stable since around 2007: see Figure 3.

Figure 3: AFS licence applications by status per half year (1 January 2013 to 30 June 2018)

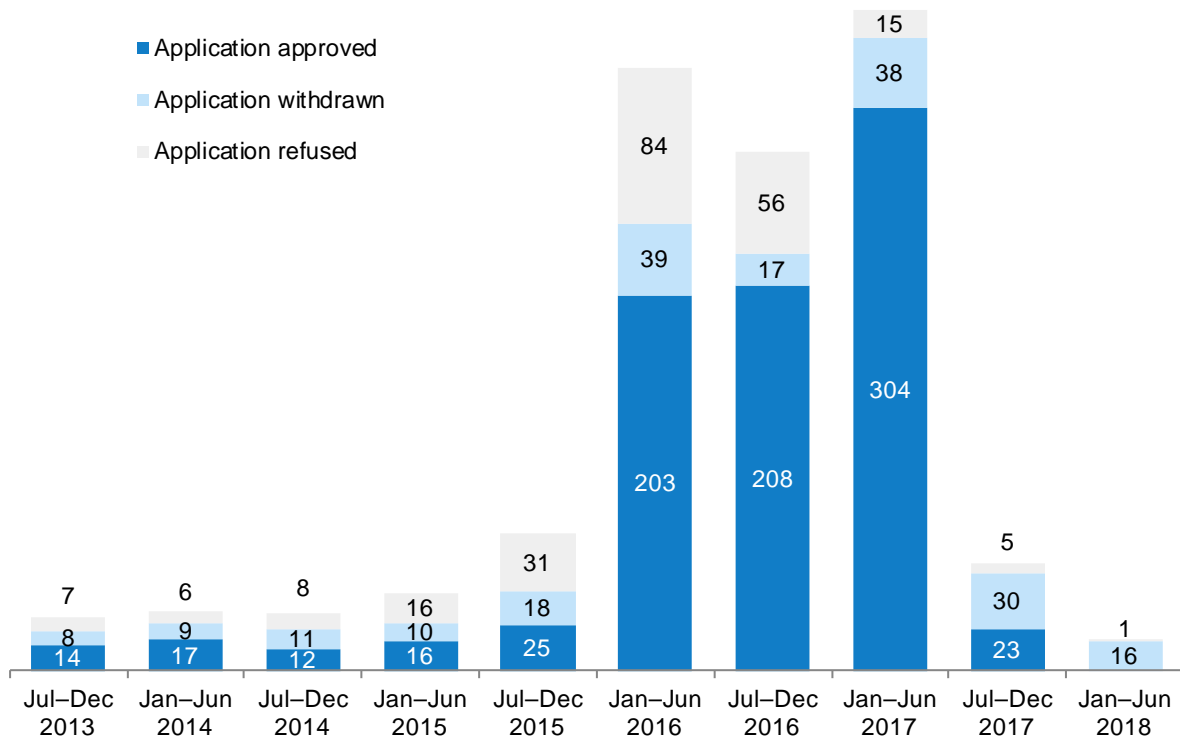


Note: See Table 10 in the appendix for the complete data used in this figure (accessible version).

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The vast majority of limited AFS licence applications were received in the last six months of the three-year transition period. Figure 4 shows that most of the outcomes of these applications (i.e. approvals, withdrawals and rejections) occurred in 2016–17 and in the second half of 2015–16.

Figure 4: Finalised limited AFS licence applications by status (1 July 2013 to 30 June 2018)



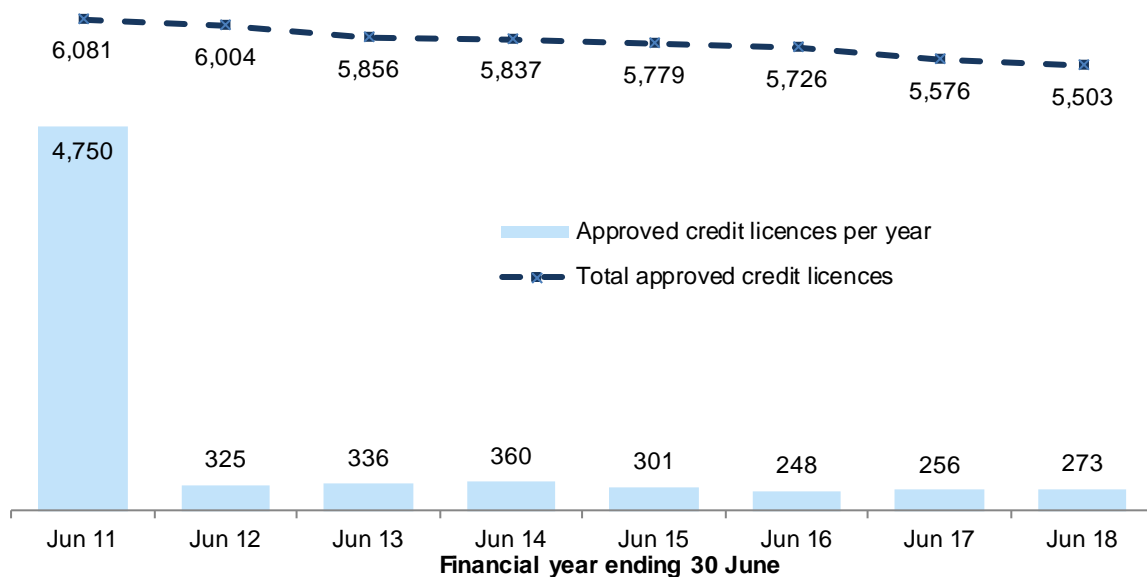
Note: See Table 11 in the appendix for the complete data used in this figure (accessible version).

Credit licensees

199

The number of credit licences held continued to gradually fall in the relevant period (at an average annual rate of 1.4%), suggesting that consolidation in the industry is still occurring: see Figure 5.

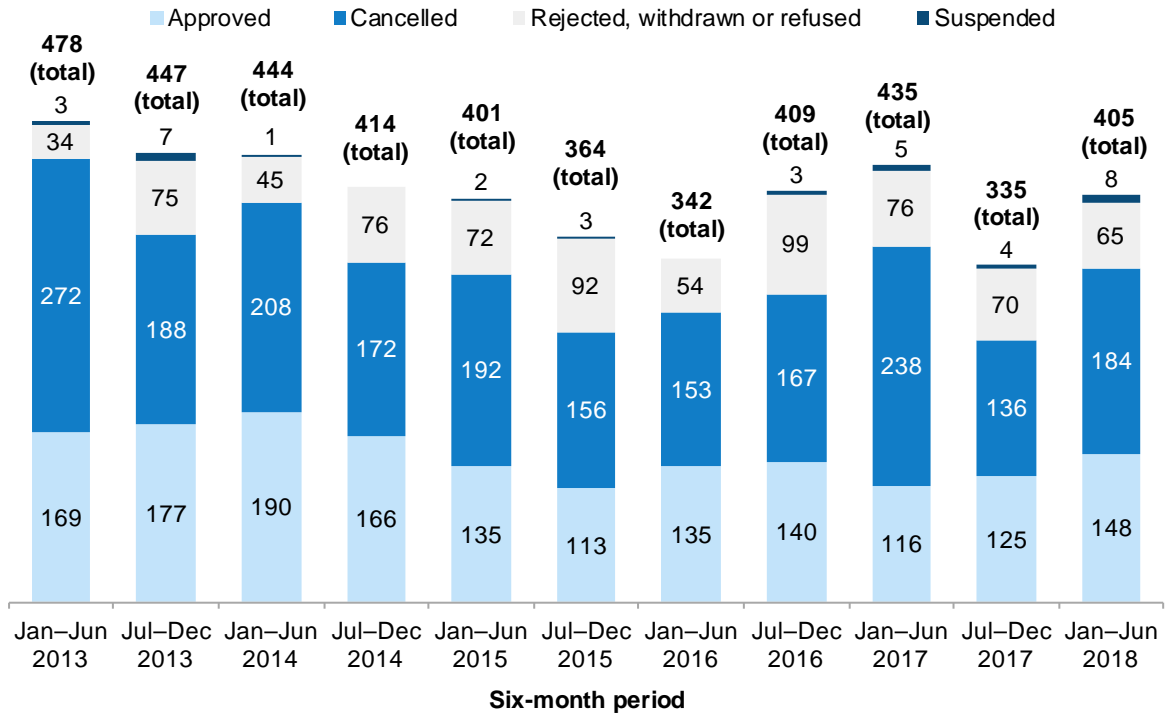
Figure 5: Credit licences approved per financial year and total number of approved credit licences



Note: See Table 12 in the appendix for the complete data used in this figure (accessible version).

200 Figure 6 shows the general trend of the status of credit licence applications for each half year over the past three years.

Figure 6: Credit licence applications by status per half year (1 January 2013 to 30 June 2018)



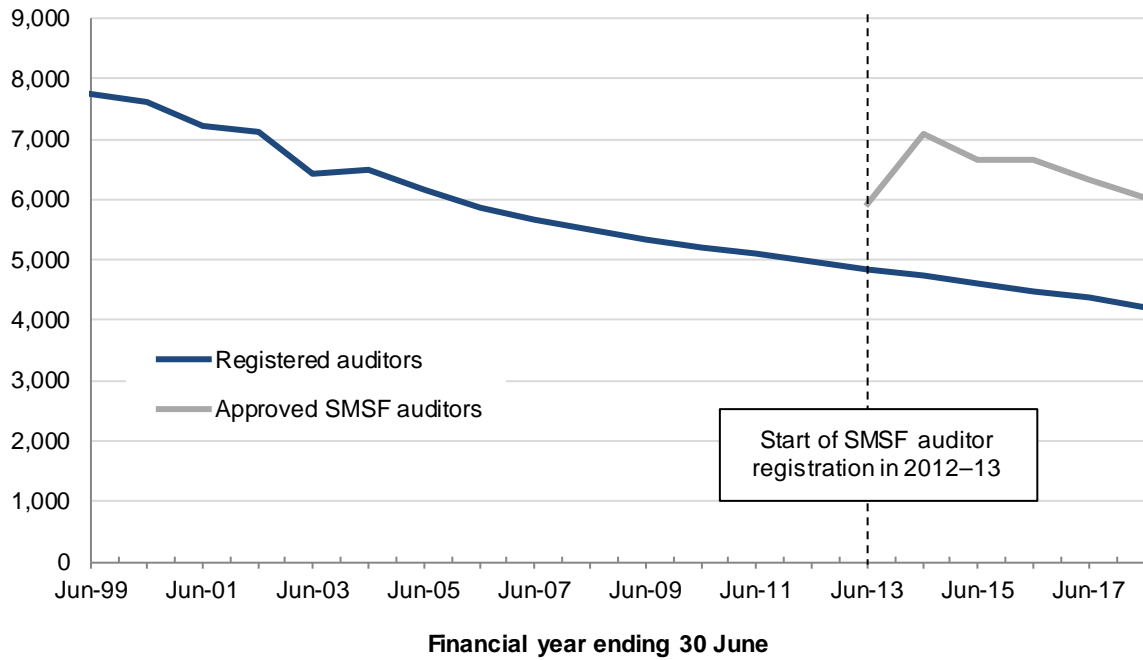
Note: See Table 13 in the appendix for the complete data used in this figure (accessible version).

Auditors

201 The number of registered company auditors continued its decline in the relevant period, reflecting (among other things) a large number of cancellations at the auditor’s request and ASIC-initiated cancellations.

202 The number of approved SMSF auditors is continuing to fall in the period after an initial (growth) spike in mid-2014: see Figure 7.

Figure 7: Number of registered company auditors and approved SMSF auditors to 30 June 2018



Note 1: See Table 14 in the appendix for the complete data used in this figure (accessible version).

Note 2: From 1 July 2013, SMSF auditors must be registered with ASIC.

C AFS licences

Key points

During the relevant period, we considered 1,728 AFS licence applications (comprising 1,226 received during the relevant period and 502 received before the relevant period), and finalised 68% (1,167) of these.

Of the 1,167 AFS licence applications finalised, we granted 303 new licences and 455 licence variations. Of the 758 AFS licence applications we approved (including variations), we imposed:

- a key person condition on 386 licences;
- an additional responsible manager requirement on 21 licences (five new licences and 16 variations); and
- modified authorisations on 154 licences.

We declined to accept six responsible managers nominated by the AFS licensee (three new licences and three licence variations), as we were concerned that they did not have the knowledge and skills to meet the organisational competence obligations.

A total of 202 AFS licence applications were withdrawn before we made a formal determination.

We refused 11 AFS licence applications. We believe the number of applications refused would have been much higher if applicants had not withdrawn their applications in response to our feedback rather than proceeding to a formal determination.

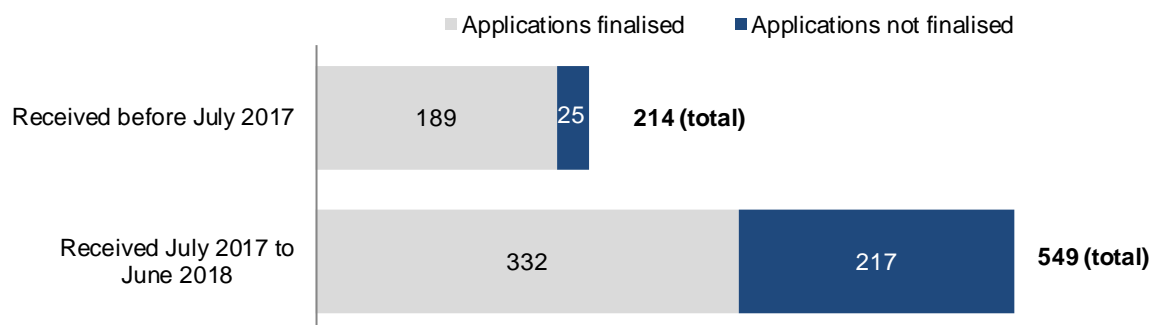
We suspended 12 AFS licences and cancelled 191 AFS licences.

Applications and regulatory outcomes

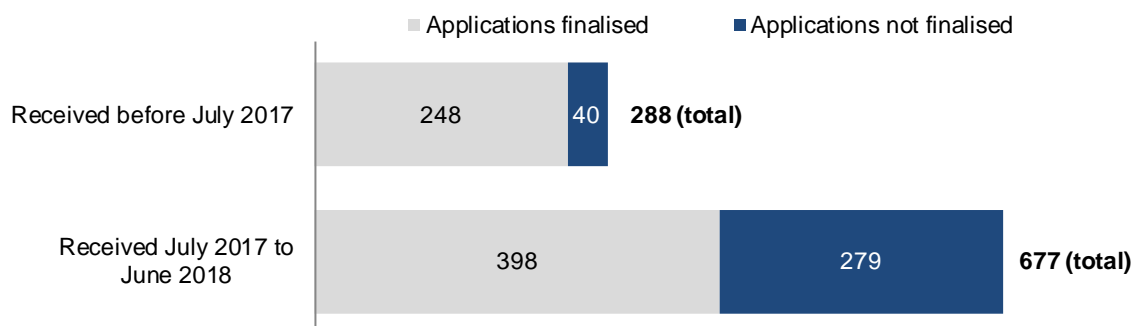
- 203 An application for an AFS licence may be rejected for lodgement, approved, withdrawn or refused. An application that is approved may also have additional regulatory outcomes.
- 204 For further background information about what we mean by ‘regulatory outcomes’, see paragraphs 66–68 of [REP 433](#).

Applications finalised

- 205 Figure 8 and Figure 9 summarise the number of new AFS licence and AFS licence variation applications that we finalised during the relevant period, in comparison with those lodged.

Figure 8: Number of lodged and finalised new AFS licence applications (1 July 2017 to 30 June 2018)

Note: See Table 15 in the appendix for the complete data used in this figure (accessible version).

Figure 9: Number of lodged and finalised AFS licence variation applications (1 July 2017 to 30 June 2018)

Note: See Table 16 in the appendix for the complete data used in this figure (accessible version).

206

Table 6 provides a breakdown of how the AFS applications we finalised during the relevant period were decided.

Table 6: How finalised AFS licence applications were decided (1 July 2017 to 30 June 2018)

Status of applications finalised 1 July 2017 to 30 June 2018	New licence applications received before July 2017	New licence applications received July 2017–June 2018	Licence variation applications received before July 2017	Licence variation applications received July 2017–June 2018
Approved (with and without additional regulatory outcomes)	147	156	193	262
Rejected for lodgement (pre-lodgement)	3	126	5	62
Withdrawn before start of assessment (pre-lodgement)	2	37	14	43
Withdrawn after start of assessment (post-lodgement)	30	13	32	31

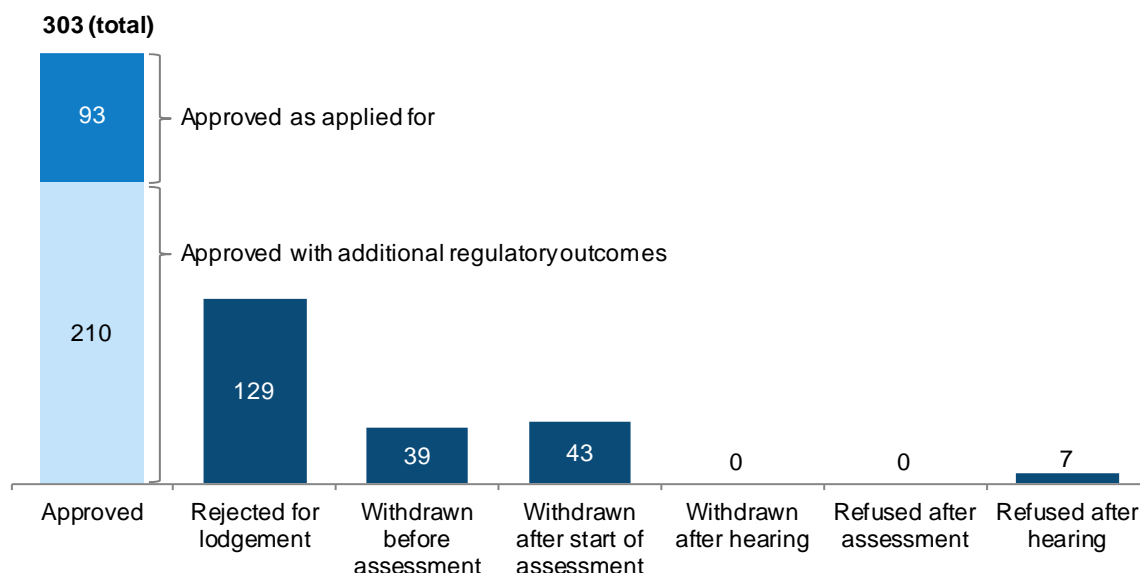
Status of applications finalised 1 July 2017 to 30 June 2018	New licence applications received before July 2017	New licence applications received July 2017–June 2018	Licence variation applications received before July 2017	Licence variation applications received July 2017–June 2018
Withdrawn after hearing	0	0	0	0
Refused after assessment	0	0	4	0
Refused after hearing	7	0	0	0
Total applications finalised	189	332	248	398

Note: Only variation applications that are partially refused have recourse to a hearing by an ASIC delegate.

207 During the relevant period, we approved 314 (41%) AFS licence applications (new licence and variations) in the form applied for (i.e. without requiring any additional regulatory outcomes) from a total of 758 AFS licence applications.

208 Figure 10 shows a breakdown by status of all the new AFS licence applications we finalised in the relevant period.

Figure 10: Number of finalised new AFS licence applications by status (1 July 2017 to 30 June 2018)

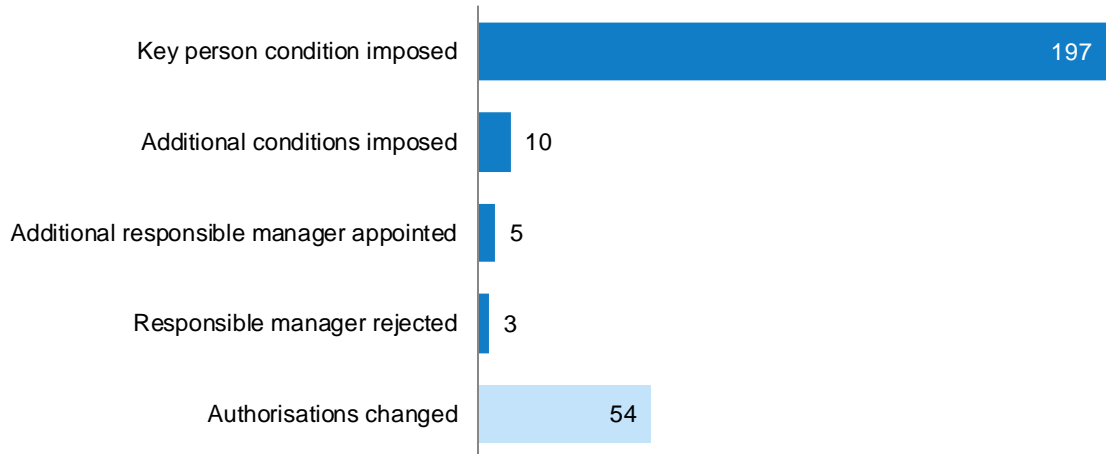


Note: See Table 17 in the appendix for the complete data used in this figure (accessible version).

209 Figure 11 shows the new AFS licence applications we approved with additional regulatory outcomes during the relevant period, broken down by the type of regulatory outcome achieved. This reflects the exercise of ASIC's delegated power over the relevant period to grant an AFS licence only if s913B of the Corporations Act is satisfied.

210 Figure 11 also shows the changes we made to AFS licence authorisations on 54 occasions by modifying, tailoring, reducing or refusing the authorisations sought.

Figure 11: Number and type of additional regulatory outcomes in approved new AFS licence applications (1 July 2017 to 30 June 2018)

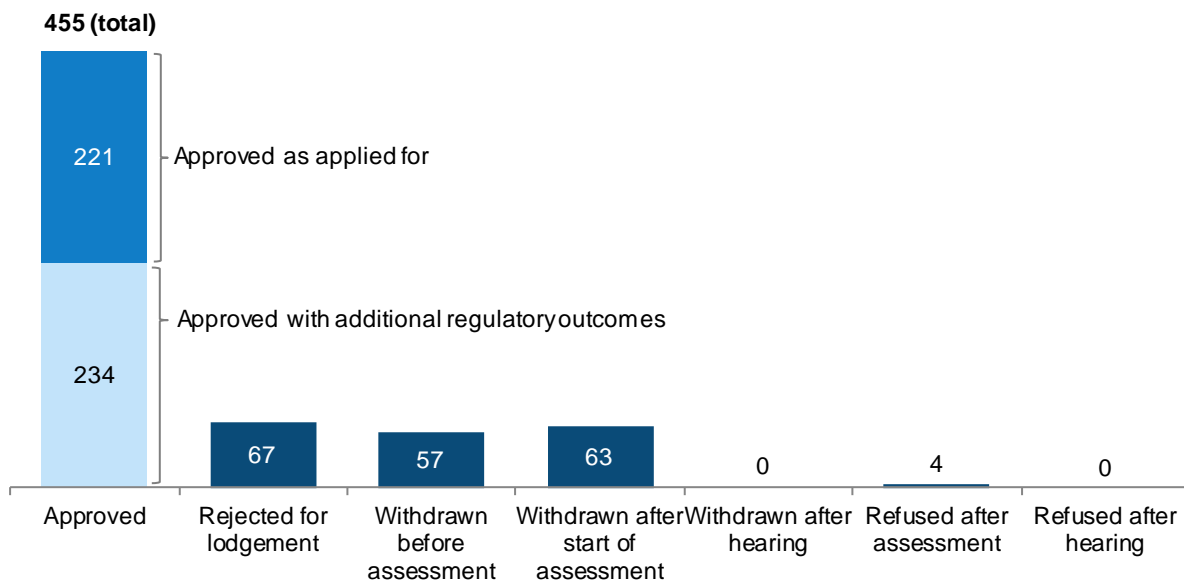


Note 1: See Table 18 in the appendix for the complete data used in this figure (accessible version).

Note 2: There may be more than one additional regulatory outcome for each approved licence application. For example, we could impose a key person condition after requiring an additional responsible manager to be appointed.

211 Figure 12 shows the AFS licence variation applications we finalised in the relevant period. This graph also shows the number of AFS licence variation applications we approved with the variation(s) the applicant applied for, either with or without imposing additional regulatory outcomes.

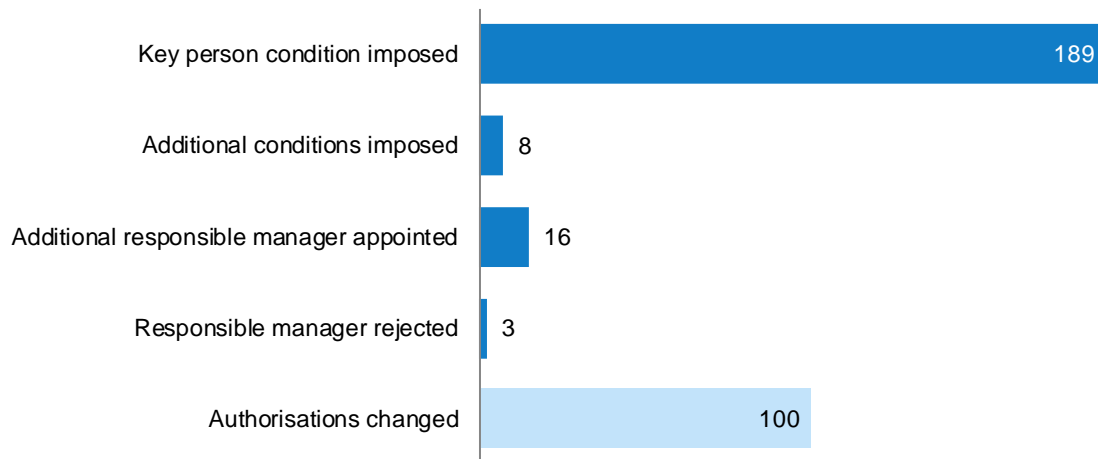
Figure 12: Number of finalised AFS licence variation applications by status (1 July 2017 to 30 June 2018)



Note: See Table 19 in the appendix for the complete data used in this figure (accessible version).

212 Figure 13 shows the AFS licence variation applications we approved with additional regulatory outcomes, broken down by type of regulatory outcome.

Figure 13: Number and type of additional regulatory outcomes in approved AFS licence variation applications (1 July 2017 to 30 June 2018)



Note 1: See Table 20 in the appendix for the complete data used in this figure (accessible version).

Note 2: There may be more than one additional regulatory outcome for each approved licence variation application. For example, we may reject a responsible manager and impose additional conditions.

Note 3: 'Responsible manager rejected' indicates ASIC's decision not to accept the nominated responsible manager as having the necessary knowledge and/or skills to satisfy us that the applicant meets the necessary organisational competence requirements, as set out in RG 105.

Applications approved with additional regulatory outcomes

213 An application for a new AFS licence or variation to an AFS licence may have more than one regulatory outcome (e.g. authorisations, special conditions, key person conditions and responsible managers). The application is reported as approved even if only some aspects are approved.

Licence authorisations

214 During the relevant period, we modified the authorisations sought in 154 cases (with 54 of these relating to new AFS licences and 100 relating to AFS licence variations). Of these:

- (a) we approved 112 licences either with authorisations that were different to those sought by the applicant, or with only some of the authorisations sought; and
- (b) we approved 42 authorisations that were specific to that applicant (we refer to this as a 'tailored' authorisation).

Additional conditions imposed on AFS licences

215 We may impose or add conditions on an AFS licence and vary or revoke the conditions already imposed: see s914A of the Corporations Act.

Key person condition

216 During the relevant period, we imposed a key person condition on:

- (a) 197 of the approved new AFS licences (65% of approved applications); and
- (b) 189 of the approved AFS licence variations (42% of approved applications).

Other conditions

217 During the relevant period, we imposed additional conditions on:

- (a) 10 new AFS licences; and
- (b) 8 AFS licence variations.

Responsible managers

218 An applicant must demonstrate competence in each financial service and product authorisation they have sought. Where competence has only been shown for some financial services and products, we may offer a licence that contains fewer financial service and product authorisations than were sought.

219 We will require the appointment of an additional responsible manager when we conclude that the nominated responsible managers are not able to demonstrate to our satisfaction that they have sufficient competence or capacity, given their other roles and engagements, for the authorisation(s) sought.

220 During the relevant period, we required the appointment of an additional responsible manager for:

- (a) 5 new AFS licences; and
- (b) 16 AFS licence variations.

221 We also did not accept responsible managers nominated by applicants for the purposes of satisfying us about the applicant's organisational competence in six AFS licence applications (three new applications and three variation applications).

Applications rejected or withdrawn

- 222 We rejected for lodgement 196 AFS licence applications during the relevant period (129 new licence applications and 67 licence variation applications).
- 223 During the relevant period, applicants withdrew 202 AFS licence applications, comprising:
- (a) 82 new AFS licence applications (39 applications accepted for lodgement but withdrawn before assessment, and 43 withdrawn after assessment); and
 - (b) 120 AFS licence variation applications (57 applications accepted for lodgement but withdrawn before assessment, and 63 withdrawn after assessment).

Applications refused

- 224 The Licensing team's objective is to ensure that investors and financial consumers can reasonably expect that persons licensed and registered by ASIC have adequately demonstrated that they meet, and will continue to meet, the appropriate minimum statutory requirements when providing their financial services and financial products. This has to be balanced against the objective of enhancing market efficiency by facilitating competition and reducing unnecessary regulatory red tape for businesses. We need to ensure that applicants who do not meet the statutory requirements are not licensed, given they have the potential to inflict significant financial and personal detriment on investors and financial consumers.
- 225 We must only grant an AFS licence application if:
- (a) we have no reason to believe that the applicant will be likely to contravene the general obligations in s912A of the Corporations Act if the licence is granted (see s913B(1)(b)); and/or
 - (b) we have no reason to believe that the applicant's responsible officers are not of good fame and character (see s913B(3)(a)(i)).
- 226 The threshold for ASIC's statutory obligation to grant and refuse an AFS licence under s913B of the Corporations Act was clarified (and aligned with s37(1)(b) of the National Credit Act) in the *Corporations Amendment (Future of Financial Advice) Act 2012*. We are now more appropriately able to take account of the likelihood or probability of a future contravention.
- Note: See also the AAT's decisions in the matter of One RE, as discussed at paragraph 99 of [REP 433](#) and referred to at paragraph 178.
- 227 We refused 11 AFS licence applications during the relevant period (seven new AFS licence applications and four AFS licence variation applications).

AFS licences suspended or cancelled

- 228 We can suspend or cancel an AFS licence for a number of reasons, including where the licensee:
- (a) enters into external administration;
 - (b) becomes deregistered;
 - (c) has not complied with the conditions on its licence;
 - (d) ceases to carry on a financial services business; or
 - (e) applies to ASIC for a suspension or cancellation.
- 229 During the relevant period, we suspended 12 AFS licences due to the licensee's circumstances (e.g. where the licensee entered into external administration), or as initiated by ASIC (non-enforcement related). Such suspensions may originate from complaints by the public, or from surveillance activities initiated by ASIC or other persons (e.g. a breach notification provided by the auditor or where the licensee fails to comply with the conditions on its licence).
- 230 Where a cancellation or suspension occurs, we may still specify that statutory obligations remain in place. Such obligations may include continuing to hold PI insurance, maintain membership of AFCA or lodge accounts.
- 231 During the relevant period, we cancelled 191 AFS licences. Of these, we cancelled:
- (a) 160 licences at the request of the licensee. The main reason licensees gave for requesting a cancellation is that they had ceased to conduct a financial services business as a result of retirement or the sale of their client list and/or business; and
 - (b) 31 licences following action we initiated (non-enforcement related). The main reason we initiated the cancellation of an AFS licence was because the licensee entered into external administration or we deregistered the licensee.

D Credit licences

Key points

During the relevant period, we considered 822 credit licence applications (comprising 229 received during the relevant period and 593 received before the relevant period), and finalised 75% (618) of these in the period.

Of the 618 credit licence applications finalised, we granted 408 new licences and 210 licence variations. Of the 430 credit licence applications (including variations) that we approved during the relevant period, we:

- imposed a key person condition on 278 licences;
- imposed additional conditions on six licences;
- required the appointment of an additional responsible manager for six licences (one new licence and five variations);
- modified authorisations sought on seven licences; and
- declined to accept three responsible managers nominated by credit licensee (two new licences and one variation), as we were concerned they did not have the knowledge and skills to meet the organisational competence obligations.

A total of 114 credit licence applications were withdrawn before we were required to make a formal determination.

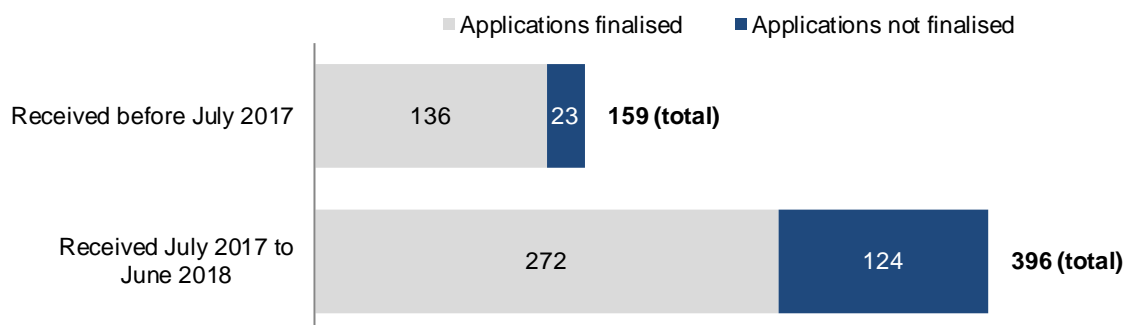
We suspended 12 credit licences and cancelled 319 credit licences.

Applications and regulatory outcomes

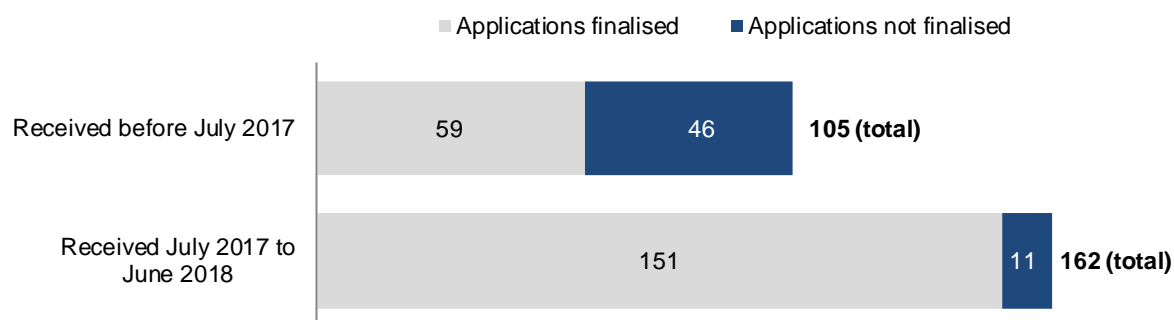
- 232 An application for a credit licence may be rejected for lodgement, approved, withdrawn or refused. An application that is approved may also have additional regulatory outcomes. For further background information about what we mean by regulatory outcomes, see paragraphs 108–110 of [REP 433](#).

Applications finalised

- 233 Figure 14 and Figure 15 summarise the number of new credit licence and credit licence variation applications that we finalised during the relevant period, in comparison with those lodged.

Figure 14: Number of lodged and finalised new credit licence applications (1 July 2017 to 30 June 2018)

Note: See Table 21 in the appendix for the complete data used in this figure (accessible version).

Figure 15: Number of lodged and finalised credit licence variation applications (1 July 2017 to 30 June 2018)

Note: See Table 22 in the appendix for the complete data used in this figure (accessible version).

234

Table 7 provides a breakdown of how the credit licence applications we finalised during the relevant period were decided. A total of 188 applications were either rejected for lodgement, withdrawn by the applicant or refused after a hearing, during the relevant period.

Table 7: How finalised credit licence applications were decided—1 July 2017 to 30 June 2018

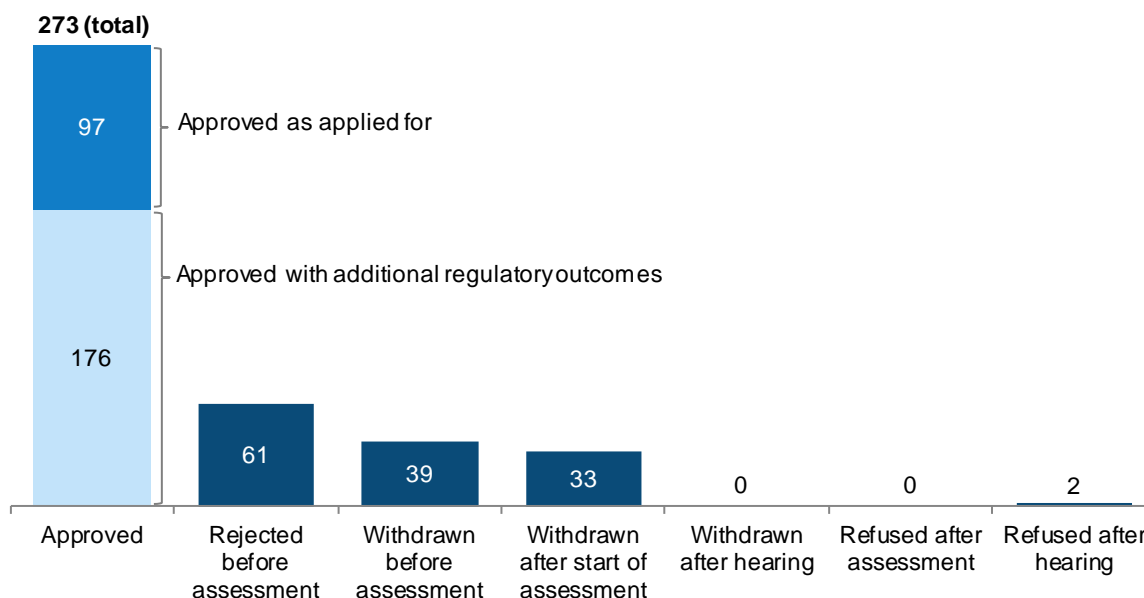
Status of applications finalised 1 July 2017 to 30 June 2018	New licence applications received before July 2017	New licence applications received July 2017–June 2018	Licence variation applications received before July 2017	Licence variation applications received July 2017–June 2018
Approved (with and without additional regulatory outcomes)	103	170	44	113
Rejected for lodgement (pre-lodgement)	5	56	2	9
Withdrawn before start of assessment (pre-lodgement)	4	35	5	24

Status of applications finalised 1 July 2017 to 30 June 2018	New licence applications received before July 2017	New licence applications received July 2017–June 2018	Licence variation applications received before July 2017	Licence variation applications received July 2017–June 2018
Withdrawn after start of assessment (post-lodgement)	22	11	8	5
Withdrawn after hearing	0	0	0	0
Refused after assessment	0	0	0	0
Refused after hearing	2	0	0	0
Total applications finalised	136	272	59	151

Note: Only variation applications that are partially refused have recourse to a hearing by an ASIC delegate.

235 Figure 16 shows the status of new credit licence applications we finalised in the relevant period. This graph also shows the number of applications we approved in the form requested by the applicant.

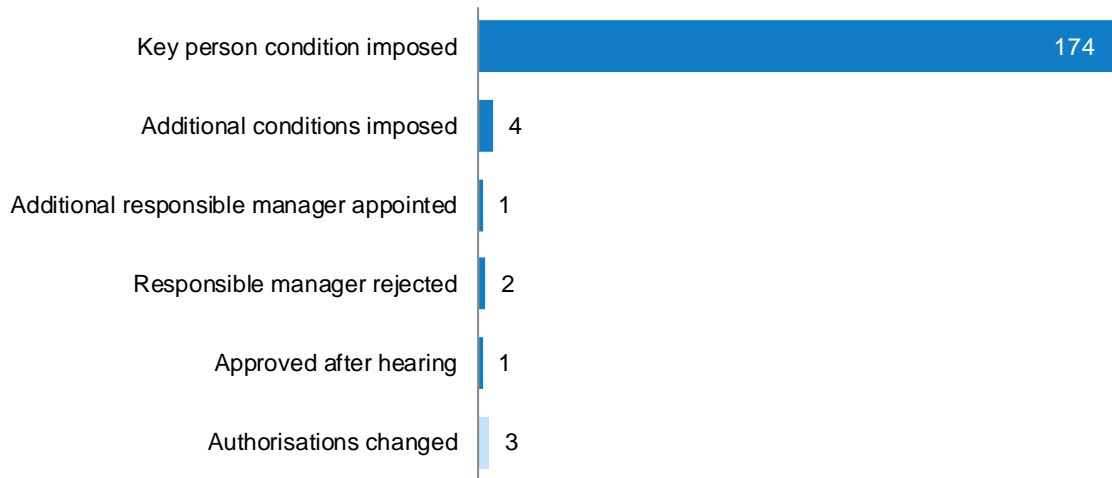
Figure 16: Number of finalised new credit licence applications by status (1 July 2017 to 30 June 2018)



Note: See Table 23 in the appendix for the complete data used in this figure (accessible version).

236 Figure 17 shows the new credit licence applications we approved with additional regulatory outcomes during the relevant period, broken down by the types of regulatory outcome achieved.

Figure 17: Number and type of additional regulatory outcomes in approved new credit licence applications (1 July 2017 to 30 June 2018)

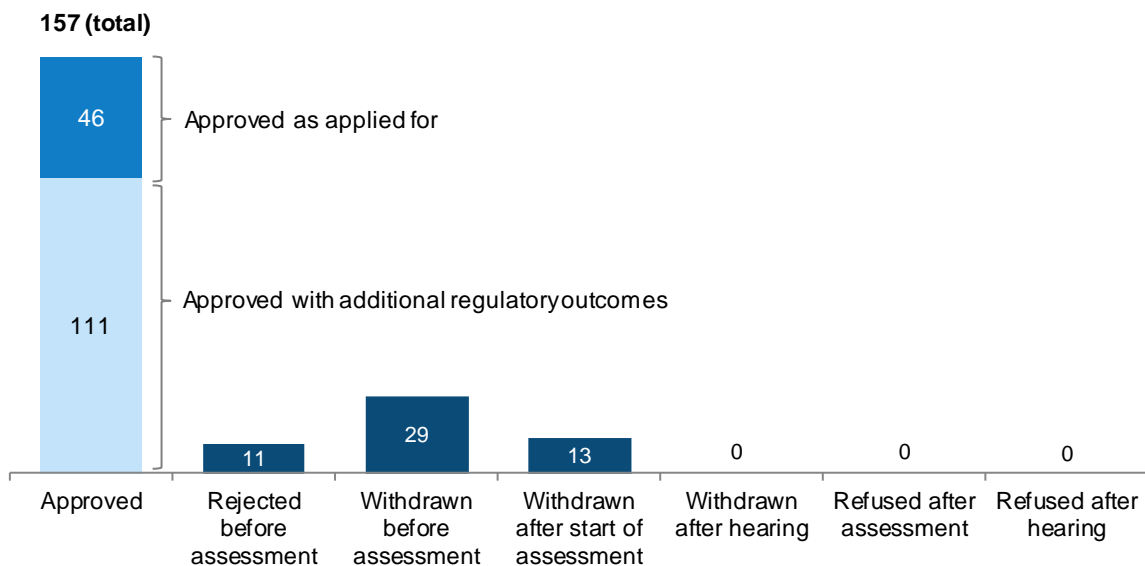


Note: See Table 24 in the appendix for the complete data used in this figure (accessible version).

Note 2: There may be more than one additional regulatory outcome for each approved licence application. For example, we could impose a key person condition after requiring an additional responsible manager to be appointed.

237 Figure 18 shows the status of credit licence variation applications we finalised in the relevant period, with a breakdown of those we approved with additional regulatory outcomes and those we approved in the form requested by the applicant.

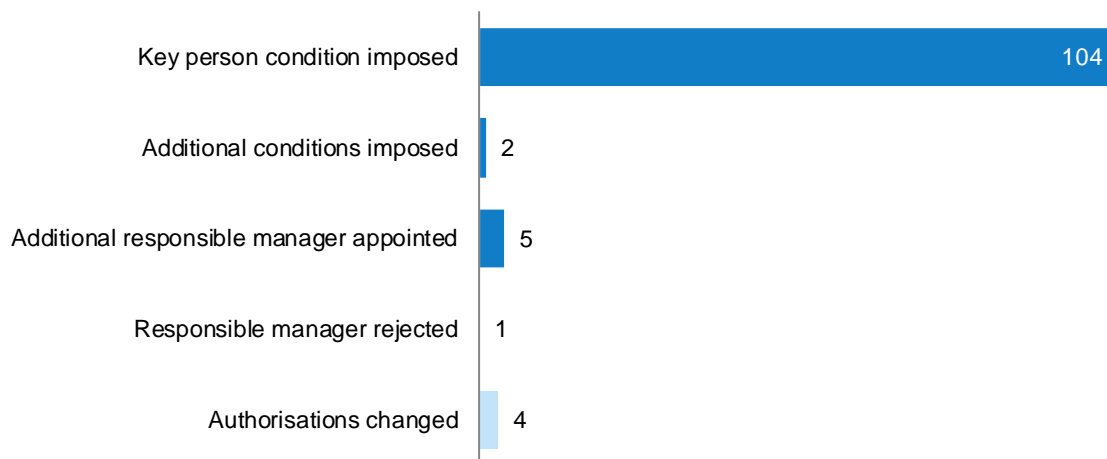
Figure 18: Number of finalised credit licence variation applications by status (1 July 2017 to 30 June 2018)



Note: See Table 25 in the appendix for the complete data used in this figure (accessible version).

238 Figure 19 shows the credit licence variation applications we approved with additional regulatory outcomes, with a breakdown of the regulatory outcomes achieved.

Figure 19: Number and type of additional regulatory outcomes in approved credit licence variation applications (1 July 2017 to 30 June 2018)



Note 1: See Table 26 in the appendix for the complete data used in this figure (accessible version).

Note 2: There may be more than one additional regulatory outcome for each approved licence variation application. For example, we may refuse a key person change and impose additional conditions.

Applications approved with additional regulatory outcomes

Additional conditions imposed on credit licences

239 We may impose conditions, or additional conditions, on a credit licence and may vary or revoke existing conditions: see s45 of the National Credit Act. In 67% of credit licence applications, we granted the licence or variation in the form applied for by the applicant.

Key person condition

240 Similarly to AFS licence applications, the most common credit licence condition we impose is a key person condition. If a credit licensee is heavily dependent on the competence of one or more responsible managers (e.g. where the licensee has a sole responsible manager), we will generally impose a 'key person condition', and require that these persons are named on the credit licence as a key person.

241 During the relevant period, we imposed a key person condition on:

- (a) 174 of the approved new credit licences (64% of approved applications); and

- (b) 104 of the approved credit licence variations (66% of approved applications).

Other conditions

- 242 We may impose other conditions on a credit licence where we consider that an applicant may need further monitoring or should be specifically required to undertake some additional process.
- 243 During the relevant period, we imposed additional conditions on six credit licences—including four of the approved new credit licences, and two of the approved credit licence variations.

Responsible managers

- 244 We will require the appointment of an additional responsible manager or managers when our assessment of an application concludes that the nominated responsible managers do not demonstrate sufficient competence for the authorisations sought.
- 245 During the relevant period, we required the appointment of an additional responsible manager for:
- (a) one approved new credit licence; and
 - (b) five approved credit licence variations.
- 246 We do not recognise unlicensed experience as relevant experience. However, experience gained in the provision of mortgage management services is regarded as relevant experience for the provision of consumer credit, provided that there are no issues with that conduct (e.g. complaints or a failure to meet the requisite standards in relation to those activities).

Applications rejected or withdrawn

- 247 Applicants may withdraw their licence applications. The most common reason for withdrawals is the quality of the application—that is, where we communicate to the applicant, and the applicant agrees, that the final outcome is likely to be a refusal if the matter proceeds to a hearing.
- 248 An application can also be taken to have been withdrawn if the applicant fails to provide ASIC with additional information when requested by ASIC under s37(4) of the National Credit Act.
- 249 The application might lack relevant information or be linked to individuals who do not meet the competence requirements to perform their duties. Ultimately, however, it is the applicant's decision whether or not to proceed with the application.

- 250 Reasons for credit licence withdrawals are similar to those for an AFS licence, with withdrawals occurring before and after lodgement.
- 251 We rejected for lodgement 72 credit licence applications during the relevant period (61 new licence applications and 11 licence variation applications)
- 252 During the relevant period, applicants withdrew 114 credit licence applications, comprising:
- (a) 72 new licence applications (39 of these were accepted for lodgement but withdrawn before assessment, and 33 were withdrawn after assessment); and
 - (b) 42 licence variation applications (29 of these were accepted for lodgement but withdrawn before assessment, and 13 were withdrawn after assessment).
- 253 In a significant number of cases, rejections and withdrawals were the result of applicants nominating responsible managers who were unable to demonstrate relevant experience.

Applications refused

- 254 We must refuse a credit licence application if we have reason to believe that the applicant is likely to contravene the obligations in s47 of the National Credit Act if the licence is granted: see s37. This statutory requirement is the same as that discussed in relation to applications for AFS licences: see paragraphs 225–226.
- 255 We may also refuse a credit licence application if we have reason to believe that a person who is a director, secretary or senior manager of the applicant is not a fit and proper person to engage in credit activities.
- 256 During the relevant period, we refused two new credit licence applications

Credit licences suspended and cancelled

- 257 As with AFS licences, we can suspend or cancel a credit licence for a number of reasons, including where the licensee:
- (a) enters into external administration;
 - (b) becomes deregistered;
 - (c) has not complied with the conditions on its licence;
 - (d) does not engage in, or ceases to engage in, credit activities; or
 - (e) applies to ASIC for a suspension or cancellation.

- 258 If we cancel or suspend a credit licence, we may specify that statutory obligations remain in place. Such obligations may include continuing to hold PI insurance and membership of AFCA.
- 259 During the relevant period, we cancelled 319 credit licences. Of these, 46 were initiated by ASIC (non-enforcement) and 274 were initiated by the credit licensee (with one credit licence being cancelled twice within the same reporting period).
- 260 The main reasons we cancelled credit licences were because the licensee:
- (a) was insolvent; and
 - (b) had ceased engaging in credit activities.
- 261 There were 12 ASIC-initiated suspensions during the relevant period. Reasons for the suspensions included insolvency and not having a responsible manager with the required competence.

E Company auditor and approved SMSF auditor registrations

Key points

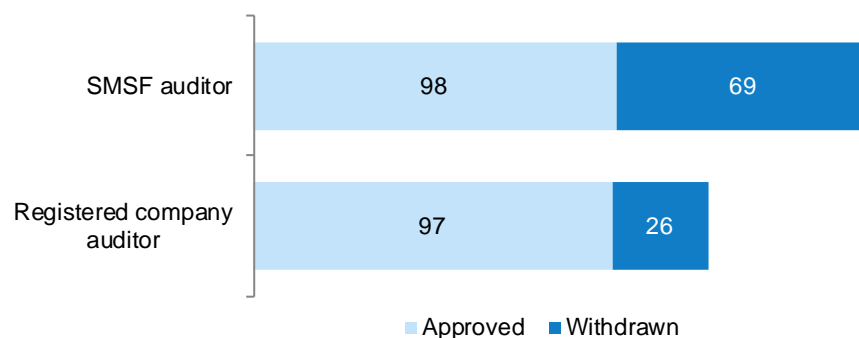
In the relevant period, we:

- registered 97 company auditors, received withdrawal requests from 26 applicants, and cancelled the registration of 233 company auditors and three authorised audit companies; and
- registered 98 approved SMSF auditors, received withdrawal requests from 69 applicants and cancelled the registration of 396 SMSF auditors.

Outcomes of registration applications

262 Figure 20 summarises the outcomes of applications for registration as a liquidator, official liquidator, registered company auditor or approved SMSF auditor.

Figure 20: Number of finalised liquidator and auditor registration applications by status (1 July 2017 to 30 June 2018)



Note: See Table 27 in the appendix for the complete data used in this figure (accessible version).

Company auditors

Registration

263 We must grant an application for registration as a company auditor if certain requirements are met: see s1280 of the Corporations Act. For further background information, see paragraph 150 of [REP 433](#).

264 During the relevant period, we registered 97 company auditors.

Withdrawals

265 Applicants withdrew 26 applications for registration during the relevant period.

Refusals

266 We did not refuse any applications for registration during the relevant period.

Suspensions and cancellations

267 We ceased the registration of 233 company auditors and 3 authorised audit companies during the relevant period. A common reason for this was the retirement of the registered individual.

Approved SMSF auditors

Registrations

268 We must grant an application for registration as an approved SMSF auditor if the applicant (who must be an Australian resident) meets certain requirements regarding qualifications and practical experience, and has passed the competency examination required in the SIS Act: see s128B.

269 For further background information, see paragraphs 159–161 of [REP 433](#).

270 We registered 98 applicants as approved SMSF auditors during the relevant period.

Withdrawals

271 Applicants withdrew 69 applications for registration as an approved SMSF auditor during the relevant period.

Refusals

272 We did not refuse any applications for registration as an approved SMSF auditor during the relevant period.

Suspensions and cancellations

273 We may suspend or cancel the registration of an approved SMSF auditor for various reasons, including because the auditor has:

- (a) not complied with the conditions of their registration;

- (b) not conducted an audit for five years;
- (c) applied to ASIC for a suspension or cancellation; or
- (d) ceased to be an Australian resident.

274 We did not suspend any approved SMSF auditors during the relevant period.

275 We cancelled 396 SMSF auditor registrations during the relevant period.
Of these, we cancelled:

- (a) 278 registrations at the request of the SMSF auditor. Reasons are not recorded—however, these generally related to the auditor’s retirement or change of career;
- (b) 3 registrations following action initiated by ASIC—in this case, one SMSF auditor was not an Australian resident and three were not fit and proper persons;
- (c) 2 registrations because the SMSF auditor failed to comply with the conditions of their registration;
- (d) 7 registrations because the SMSF auditor failed to comply with SIS Act; and
- (e) 106 registrations because the SMSF auditor failed to lodge an annual statement.

Appendix: Accessible versions of figures

This appendix provides accessible versions of the figures in this report.

Table 8: Number of limited AFS licence applications received or finalised (1 July 2013 to 30 June 2018)

Six-month period	Applications received	Applications finalised
July to December 2013	39	29
January to June 2014	38	32
July to December 2014	24	31
January to June 2015	49	42
July to December 2015	100	74
January to June 2016	899	324
July to December 2016	25	281
January to June 2017	24	357
July to December 2017	27	58
January to June 2018	14	17

Note: This is the data contained in Figure 1.

Table 9: AFS licences approved per financial year and total number of approved AFS licences

Financial year ending 30 June	Approved AFS licences per year	Total approved AFS licences
June 2002	35	35
June 2003	601	626
June 2004	3,255	3,853
June 2005	401	4,135
June 2006	429	4,415
June 2007	369	4,625
June 2008	329	4,768
June 2009	285	4,803
June 2010	335	4,874

Financial year ending 30 June	Approved AFS licences per year	Total approved AFS licences
June 2011	329	4,883
June 2012	333	4,955
June 2013	389	5,043
June 2014	302	5,101
June 2015	323	5,198
June 2016	515	5,516
June 2017	764	6,058
June 2018	303	6,170

Note 1: The data for the period ending 30 June 2004 reflects the end of the AFS licensing transition period on 10 March 2004.

Note 2: This is the data contained in Figure 2.

Table 10: Number of AFS licence applications by status per half year (1 January 2013 to 30 June 2018)

Six-month period	Approved	Cancelled	Rejected, withdrawn or refused	Suspended	Total
January to June 2013	179	136	55	5	375
July to December 2013	163	128	72	7	370
January to June 2014	140	124	79	7	350
July to December 2014	174	150	115	8	417
January to June 2015	149	98	106	9	362
July to December 2015	168	61	141	8	378
January to June 2016	347	143	218	9	717
July to December 2016	348	76	162	7	593
January to June 2017	416	138	118	11	683
July to December 2017	186	70	116	4	376
January to June 2018	117	121	102	8	348

Note: This is the data contained in Figure 3.

Table 11: Number of finalised limited AFS licence applications by status (1 July 2013 to 30 June 2018)

Six-month period	Application approved	Application withdrawn	Application refused
July to December 2013	14	8	7

Six-month period	Application approved	Application withdrawn	Application refused
January to June 2014	17	9	6
July to December 2014	12	11	8
January to June 2015	16	10	16
July to December 2015	25	18	31
January to June 2016	203	39	84
July to December 2016	208	17	56
January to June 2017	304	38	15
July to December 2017	23	30	5
January to June 2018	0	16	1

Note: This is the data contained in Figure 4.

Table 12: Credit licences approved per financial year and total number of approved credit licences

Financial year ending 30 June	Approved credit licences per year	Total approved credit licences
June 2011	4,750	6,081
June 2012	325	6,004
June 2013	336	5,856
June 2014	360	5,837
June 2015	301	5,779
June 2016	248	5,726
June 2017	256	5,576
June 2018	273	5,503

Note: This is the data contained in Figure 5.

Table 13: Number of credit licence applications by status per half year (1 January 2013 to 30 June 2018)

Six-month period	Approved	Cancelled	Rejected, withdrawn or refused	Suspended	Total
January to June 2013	169	272	34	3	478
July to December 2013	177	188	75	7	447
January to June 2014	190	208	45	1	444
July to December 2014	166	172	76	0	414

Six-month period	Approved	Cancelled	Rejected, withdrawn or refused	Suspended	Total
January to June 2015	135	192	72	2	401
July to December 2015	113	156	92	3	364
January to June 2016	135	153	54	0	342
July to December 2016	140	167	99	3	409
January to June 2017	116	238	76	5	435
July to December 2017	125	136	70	4	335
January to June 2018	148	184	65	8	405

Note: This is the data contained in Figure 6.

Table 14: Number of registered company auditors and approved SMSF auditors to 30 June 2018

Financial year ending 30 June	Registered auditors	Approved SMSF auditors
June 1999	7,736	Not applicable
June 2000	7,623	Not applicable
June 2001	7,221	Not applicable
June 2002	7,109	Not applicable
June 2003	6,440	Not applicable
June 2004	6,506	Not applicable
June 2005	6,163	Not applicable
June 2006	5,848	Not applicable
June 2007	5,658	Not applicable
June 2008	5,495	Not applicable
June 2009	5,345	Not applicable
June 2010	5,207	Not applicable
June 2011	5,114	Not applicable
June 2012	4,985	Not applicable
June 2013	4,852	5,935
June 2014	4,729	7,073

Financial year ending 30 June	Registered auditors	Approved SMSF auditors
June 2015	4,596	6,669
June 2016	4,483	6,671
June 2017	4,365	6,339
June 2018	4,226	6,039

Note: This is the data contained in Figure 7.

Table 15: Number of lodged and finalised new AFS licence applications (1 July 2017 to 30 June 2018)

Applications	Received July 2017 to June 2018	Received before July 2017
Finalised	332	189
Not finalised	217	25
Total lodged	549	214

Note: This is the data contained in Figure 8.

Table 16: Number of lodged and finalised AFS licence variation applications (1 July 2017 to 30 June 2018)

Applications	Received July 2017 to June 2018	Received before July 2017
Finalised	398	248
Not finalised	279	40
Total lodged	677	288

Note: This is the data contained in Figure 9.

Table 17: Number of finalised new AFS licence applications by status (1 July 2017 to 30 June 2018)

Status of applications	Applications
<i>Approved as applied for</i>	93
<i>Approved with additional regulatory outcomes</i>	210
Total approved	303
Rejected for lodgement (pre-lodgement)	129
Withdrawn before start of assessment (pre-lodgement)	39
Withdrawn after start of assessment (post-lodgement)	43

Status of applications	Applications
Withdrawn after hearing	0
Refused after assessment	0
Refused after hearing	7

Note: This is the data contained in Figure 10.

Table 18: Number and type of additional regulatory outcomes in approved new AFS licence applications (1 July 2017 to 30 June 2018)

Type of additional regulatory outcome	Number of additional regulatory outcomes
Key person condition imposed	197
Additional conditions imposed	10
Additional responsible manager appointed	5
Responsible manager rejected	3
Authorisations changed	54

Note: This is the data contained in Figure 11.

Table 19: Number of finalised AFS licence variation applications by status (1 July 2017 to 30 June 2018)

Status of applications	Applications
<i>Approved as applied for</i>	221
<i>Approved with additional regulatory outcomes</i>	234
Total approved	455
Rejected for lodgement (pre-lodgement)	67
Withdrawn before start of assessment (pre-lodgement)	57
Withdrawn after start of assessment (post-lodgement)	63
Withdrawn after hearing	0
Refused after assessment	4
Refused after hearing	0

Note: This is the data contained in Figure 12.

Table 20: Number and type of additional regulatory outcomes in approved AFS licence variation applications (1 July 2017 to 30 June 2018)

Type of additional regulatory outcome	Number of additional regulatory outcomes
Key person condition imposed	189
Additional conditions imposed	8
Additional responsible manager appointed	16
Responsible manager rejected	3
Authorisations changed	100

Note: This is the data contained in Figure 13.

Table 21: Number of lodged and finalised new credit licence applications (1 July 2017 to 30 June 2018)

Applications	Received July 2017 to June 2017	Received before July 2017
Finalised	272	136
Not finalised	124	23
Total lodged	396	159

Note: This is the data contained in Figure 14.

Table 22: Number of lodged and finalised credit licence variation applications (1 July 2017 to 30 June 2018)

Applications	Received July 2017 to June 2018	Received before July 2017
Finalised	151	59
Not finalised	11	46
Total lodged	162	105

Note: This is the data contained in Figure 15.

Table 23: Number of finalised new credit licence applications by status (1 July 2017 to 30 June 2018)

Status of applications	Applications
<i>Approved as applied for</i>	97
<i>Approved with additional regulatory outcomes</i>	176
Total approved	273
Rejected for lodgement (pre-lodgement)	61

Status of applications	Applications
Withdrawn before start of assessment (pre-lodgement)	39
Withdrawn after start of assessment (post-lodgement)	33
Withdrawn after hearing	0
Refused after assessment	0
Refused after hearing	2

Note: This is the data contained in Figure 16.

Table 24: Number and type of additional regulatory outcomes in approved new credit licence applications (1 July 2017 to 30 June 2018)

Type of additional regulatory outcome	Number of additional regulatory outcomes
Key person condition imposed	174
Additional conditions imposed	4
Additional responsible manager appointed	1
Responsible manager rejected	2
Approved after hearing	1
Authorisations changed	3

Note: This is the data contained in Figure 17.

Table 25: Number of finalised credit licence variation applications by status (1 July 2017 to 30 June 2018)

Status of applications	Applications
<i>Approved as applied for</i>	111
<i>Approved with additional regulatory outcomes</i>	46
Total approved	157
Rejected for lodgement (Pre-lodgement)	11
Withdrawn before start of assessment (pre-lodgement)	29
Withdrawn after start of assessment (post-lodgement)	13
Withdrawn after hearing	0
Refused after assessment	0

Status of applications	Applications
Refused after hearing	0

Note: This is the data contained in Figure 18.

Table 26: Number and type of additional regulatory outcomes in approved credit licence variation applications (1 July 2017 to 30 June 2018)

Type of additional regulatory outcome	Number of additional regulatory outcomes
Key person condition imposed	104
Additional conditions imposed	2
Additional responsible manager appointed	5
Responsible manager rejected	1
Authorisations changed	4

Note: This is the data contained in Figure 19.

Table 27: Number of finalised auditor registration applications by status (1 July 2017 to 30 June 2018)

Status of applications	Registered company auditor	SMSF auditor
Approved	97	98
Withdrawn	26	69

Note: This is the data contained in Figure 20.

Key terms

Term	Meaning in this document
AAT	Administrative Appeals Tribunal
ADTR licence	Australian derivative trade repository licence
AFS licence	An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
AFCA	Australian Financial Complaints Authority
approved SMSF auditor	Has the meaning given in s10(1) of the SIS Act after 31 January 2013
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASIC Regulatory Portal	The internet channel that allows authenticated regulated entities to interact securely with ASIC, which can be accessed at the portal landing page
Australian derivative trade repository licence	An Australian derivative trade repository licence under s905C of the Corporations Act that authorises a person to operate a trade repository
authorised representative	A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee Note: This is a definition contained in s761A.
CADB	Companies Auditors Disciplinary Board, formerly known as the Companies Auditors and Liquidators Disciplinary Board (CALDB)
CCIV	Corporate collective investment vehicles
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
CP 301 (for example)	An ASIC consultation paper (in this example numbered 301)
credit licence	An Australian credit licence under s35 of the National Credit Act that authorises a licensee to engage in particular credit activities

Term	Meaning in this document
credit licensee	A person who holds a credit licence under s35 of the National Credit Act
crowd-funding service	Has the meaning given in s766F of the Corporations Act
CSF	Crowd-sourced funding
CSF intermediary	An AFS licensee whose licence expressly authorises the licensee to provide a crowd-funding service Note: See s738C of the Corporations Act.
CS facilities	Clearing and settlement facilities as defined by s768A of the Corporations Act
CSF offer	An offer of fully paid ordinary shares, as specified in reg 6D.3A.01 of the Corporations Regulations 2001, that is made under the CSF regime in Pt 6D.3A of the Corporations Act Note: See s738B of the Corporations Act.
EDR	External dispute resolution
financial service	Has the meaning given in s766A of the Corporations Act
fintech	Financial technology
foreign financial services provider (FFSP)	A provider of financial services that is regulated by an overseas regulatory authority and relies on either: <ul style="list-style-type: none"> • the sufficient equivalence relief; or • the limited connection relief
limited AFS licence	An AFS licence that only includes authorisations to provide one or more of the following limited financial services: <ul style="list-style-type: none"> • financial product advice on SMSFs; • financial product advice on a client's existing superannuation holdings, in certain circumstances; • class of product advice on: <ul style="list-style-type: none"> – superannuation products; – securities; – simple managed investment schemes (as defined in reg 1.0.02 of the Corporations Regulations 2001); – general and life risk insurance products; and – basic deposit products; and • arranging to deal in an interest in an SMSF
liquidator	A person registered by ASIC under s1282 of the Corporations Act
managed investment scheme	Has the meaning set out in s9 of the Corporations Act
MDA	A managed discretionary account

Term	Meaning in this document
MDA service	Has the meaning set out in ASIC Corporations (Managed Discretionary Account Services) Instrument 2016/968
marketplace lending	The facilitation of loans outside the traditional banking system by connecting borrowers with lenders or investors to expose lenders to the risks and benefits of particular loans via an online platform
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
official liquidator	A person registered by ASIC under s1283 of the Corporations Act
PI insurance	Professional indemnity insurance
PPF	Purchased payment facilities
regtech	Regulatory technology
relevant financial products	Financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of those products
relevant period	1 July 2017 to 30 June 2018
relevant provider	An individual that is authorised to give personal advice to retail clients on relevant financial products: see s910A of the Corporations Act
REP 433 (for example)	An ASIC report (in this example numbered 433)
RG 105 (for example)	An ASIC regulatory guide (in this example numbered 105)
Royal Commission	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
Sch 2	Schedule 2 to the Corporations Act, entitled 'Insolvency Practice Schedule (Corporations)'
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SMSF	Self-managed superannuation fund
trade repository	A derivative trade repository—a facility to which information about derivative transactions, or about positions relating to derivative transactions, can be reported

Related information

Headnotes

Administrative Appeals Tribunal, ADTR licence, AFCA, AFS licence, AFS licensee, application, approved SMSF auditor, Asia Region Funds Passport, ASIC hearing delegates, authorisation, cancellation, CCIV, company auditor, corporate collective investment vehicle, credit licence, credit licensee, crowd-sourced funding, CSF, enforcement review taskforce, foreign financial service provider, financial advisers register, financial market, FFSP, innovation, international, licence variation, licensing relief, limited AFS licence, liquidator, managed discretionary account, managed investment scheme, marketplace lending, MDA, neobank, official liquidator, professional standards, refusal, registration, regulatory portal, rejected for lodgement, responsible manager, restricted ADI, Royal Commission, sandbox, service charter, SMSF auditor, suspension, withdrawal

Legislative instruments and pro formas

[ASIC Corporations \(Managed Discretionary Accounts\) Instrument 2016/968](#)

[ASIC Corporations \(Concept Validation Licensing Exemption\) Instrument 2016/1175](#)

[ASIC Credit \(Concept Validation Licensing Exemption\) Instrument 2016/1176](#)

[PF 209 Australian financial services licence conditions](#)

Regulatory guides

[RG 105 Licensing: Organisational competence](#)

[RG 131 Funds management: Establishing and registering a fund](#)

[RG 132 Funds management: Compliance and oversight](#)

[RG 133 Funds management and custodial services: Holding assets](#)

[RG 134 Funds management: Constitutions Case](#)

[RG 136 Funds management: Discretionary powers](#)

[RG 137 Constitution requirements for schemes registered before 1 October 2013](#)

[RG 138 Foreign passport funds](#)

[RG 146 Licensing: Training of financial product advisers](#)

[RG 257](#) *Testing fintech products and services without holding an AFS or credit licence*

[RG 261](#) *Crowd-sourced funding: Guide for companies*

[RG 262](#) *Crowd-sourced funding: Guide for intermediaries*

Legislation

ASIC Act, Pt 11

ASIC Supervisory Cost Recovery Levy Regulations 2017

Bankruptcy Act 1966

Corporations Act, Ch 5C; Pts 2D.6, 7.2, 7.3, 7.5A, 9.2; s794C, 823C, 911A, 912A, 912D, 913B, 914BA, 915B, 947D, 961B 1280; Sch 2, s20-5 and 90-15

Corporations Amendment (Crowd-sourced Funding) Act 2017

Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Act 2018

Corporations Amendment (Future of Financial Advice) Act 2012

Corporations Amendment (Professional Standards of Financial Advisers) Act 2017

Corporations Regulations 2001, regs 7.1.29 and 7.1.29A

Insolvency Law Reform Act 2016

National Credit Act, s37, 45, 47, 53, 54, 55

SIS Act, s128B

Treasury Laws Amendment (Corporate Collective Investment Vehicle) Bill 2018

Treasury Laws Amendment (2018 Measures No. 2) Bill 2018

Consultation papers and reports

[CP 301](#) *Foreign financial service providers*

[CP 305](#) *Organisational competence requirements for advice licensees: Update to RG 105*

[REP 433](#) *Overview of licensing and professional registration applications: July to December 2014*

[REP 575](#) *SMSFs: Improving the quality of advice and member experiences*

[REP 576](#) *Member experiences with self-managed superannuation funds*

Cases

[One RE Services Limited and Australian Securities and Investments Commission \[2012\] AATA 294](#)

Media releases

[17-321MR](#) *ASIC facilitates crowd-sourced funding by public companies*

[18-157MR](#) *ASIC cancels registration of Victorian auditor*

[18-222MR](#) *ASIC updates guidance for funds management industry*

[18-225MR](#) *Professional standards reforms for financial advisers—ASIC update*

[18-278MR](#) *ASIC extends relief for foreign financial services providers*

[18-304MR](#) *Financial adviser professional standards reforms—ASIC releases new instrument delaying reporting dates and making minor amendments*

[18-334MR](#) *Melbourne financial services and credit business to pay \$9 million for multiple breaches of obligations and consumer protection laws*

[18-353MR](#) *Former manager convicted of making false or misleading statements to ASIC in a licence application*

[18-362MR](#) *ASIC cancels financial services and credit licences of Financial Circle*

ASIC forms

[Form FS20](#) *Change of details for an Australian financial services licensee*

Other ASIC documents

[Annual dashboard report: 2017–18](#) (PDF 165 KB), January 2019

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[ASIC service charter](#)

Other documents

APRA, [ADI licensing: Restricted ADI framework](#) (PDF 832 KB)

EDR Review, [*Review of external dispute resolution and complaints arrangements in the financial system: Final report*](#), May 2017

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