



CRIS: ASIC INDUSTRY FUNDING MODEL (2022–23)

This document is part of [ASIC's 2022–23 CRIS](#). It should be read in conjunction with the other documents that make up the CRIS, including the key terms.

F Financial advice sector

Key points

This document outlines:

- our work during 2022–23 to regulate the financial advice sector—for our ongoing regulatory activities, see paragraphs 1–6, and for our strategic work, see Table 1;
- the estimated levies to recover our costs—for a summary of the estimated levies for each subsector, see Table 2; and
- more detailed breakdowns of estimated costs for each subsector—see paragraphs 11–14.

The estimated levies are a guide only. The final levies will be based on our actual cost of regulating each subsector in 2022–23.

Overview of the financial advice sector

- 1 The financial advice sector consists of AFS licensees with an authorisation to provide financial product advice to retail or wholesale clients—that is, licensees that provide:
 - (a) personal advice to retail clients on relevant financial products;
 - (b) personal advice to retail clients on products that are not relevant financial products;
 - (c) general advice only to retail or wholesale clients; and
 - (d) personal advice to wholesale clients only.

Our ongoing regulatory work

- 2 Our regulation of the financial advice sector is focused on promoting a fair, strong and efficient financial system for all Australians. Our work includes monitoring the conduct of financial advisers and their compliance with

advice conduct obligations under the Corporations Act. We carry out this work through supervision, surveillances and other actions, and identifying and addressing causes of harms or breaches of the Corporations Act and ASIC Act.

- 3 We use the full suite of our regulatory tools to promote integrity in this sector to bring about sound consumer and investor outcomes. This includes, where appropriate, taking enforcement action to address misconduct—for example, bannings, licence cancellations, civil or criminal action, and other sanctions related to our new single disciplinary body role. Some enforcement action may span over several years. Our enforcement action is generally informed by our [enduring enforcement priorities](#), including our priority relating to misconduct involving a high risk of significant consumer harm.
- 4 We provide guidance and education to financial advisers regarding their legal obligations. We take action to address unscrupulous behaviour that results in the provision of poor advice to consumers. ASIC-wide working groups work to target scams and unlicensed advice.
- 5 We communicate and consult with ASIC’s stakeholders, including professional bodies and associations, agencies, and other regulators. We engage with stakeholders to ensure harms that threaten good investor and consumer outcomes are identified and addressed. Through our stakeholder engagement, we influence our regulated population to improve compliance and minimise consumer harm, while improving our understanding of issues and industry developments.
- 6 We continue to support law reform and contribute to policy development, including the Australian Government’s [Quality of Advice Review](#).

Strategic work for this sector

- 7 ASIC’s [Corporate Plan 2022–26: Focus 2022–23](#) outlines our strategic priorities for the next four years and our planned actions for 2022-23. The corporate plan also sets out our core strategic projects, which support the delivery on our strategic priorities.
- 8 Our strategic priorities inform our [2023 enforcement priorities](#), which communicate our intent to industry and indicate where we will direct our resources and expertise.
- 9 Table 1 sets out our strategic work in the financial advice sector in 2022–23.

Note: In Table 1, the strategic work *may* apply to the listed relevant subsectors, depending on prevailing circumstances. Our key actions for some strategic work can apply to multiple sectors and subsectors, particularly for our core strategic projects. This means that there may be other relevant sectors and subsectors for this work outside the financial advice sector.

Table 1: Strategic work in the financial advice sector (2022–23)

Strategic work	Key actions	Relevant subsector
Design and distribution obligations (core strategic project)	<ul style="list-style-type: none"> Conducting surveillance of superannuation trustees' distribution practices in relation to choice superannuation products, and examining the role of financial advisers and their licensees in the distribution of underperforming choice products. Where appropriate, taking action to address any instances of consumers being inappropriately placed into unsuitable choice products by financial advisers, including by referring matters to the Financial Services and Credit Panel (FSCP). 	Licensees that provide personal advice to retail clients on relevant financial products
Breach reporting (core strategic project)	<ul style="list-style-type: none"> Continuing to closely monitor the operation of the new reportable situations regime to further support industry with the practical implementation of the new obligations. Working with stakeholders to identify and implement solutions that will improve the consistency and quality of reporting practices, including providing further guidance. Preparing ASIC's first report on insights from reportable situations and commencing development of a framework for ongoing publication of information about the reports received—see Report 740 <i>Insights from the reportable situations regime: October 2021 to June 2022</i> (REP 740). Developing enhanced data analytics capabilities to harness the value of the information we receive under the regime to achieve better regulatory outcomes. 	All financial advice subsectors
Cyber and operational resilience (core strategic project)	<ul style="list-style-type: none"> Implementing a cross-industry self-assessment to benchmark and increase cyber resilience in our regulated population. Engaging with industry to promote good practices and support initiatives that enhance cyber resilience. Partnering with other regulators to harmonise regulatory approaches and action. Updating the legal and compliance obligations for regulated entities that were first published in Report 429 <i>Cyber resilience: Health check</i> (REP 429)). Supporting the implementation of whole-of-government cyber resilience initiatives relevant to ASIC's regulated entities. Taking enforcement action against regulated entities where there are egregious failures to mitigate the risks of cyber attacks and governance failures relating to cyber resilience. 	All financial advice subsectors
Unlicensed advice	Continuing to identify unlicensed advice and take action, including enforcement action, against misconduct where appropriate.	All financial advice subsectors

Strategic work	Key actions	Relevant subsector
Adviser registration	<p>Facilitating the registration of relevant providers. This work includes:</p> <ul style="list-style-type: none"> • building IT infrastructure; • preparing guidance; and • liaising with industry. 	Licensees that provide personal advice to retail clients on relevant financial products
Administration of the financial adviser exam	<ul style="list-style-type: none"> • Administering the financial adviser exam, including: <ul style="list-style-type: none"> – assessing advisers' eligibility to sit the exam; – issuing exam eligibility numbers; – preparing guidance; and – responding to queries from advisers. • Reviewing the financial advisers register to ensure it correctly records the authorisation status of existing advisers who have not passed the financial adviser exam by the relevant date, and engaging with licensees who have not removed advisers from the register as required. 	Licensees that provide personal advice to retail clients on relevant financial products
FSCP	<p>Ensuring the efficient and effective operation of the FSCP as the single disciplinary body for financial advisers. This work includes:</p> <ul style="list-style-type: none"> • preparing FSCP briefs for consideration by the FSCP; • providing Secretariat and FSCP delegates; • recording sanctions made by an FSCP on the financial advisers register; • actioning FSCP sanctions and communicating outcomes to the market; and • reviewing the operation of the FSCP after 12 months. 	Licensees that provide personal advice to retail clients on relevant financial products
Life insurance framework (LIF) reforms review	<ul style="list-style-type: none"> • Providing the life insurance advice file reviews results and the data collected from life insurers with Treasury for further analysis in the context of the Australian Government's Quality of Advice Review. • Writing to advice licensees where ASIC holds significant concerns about client detriment resulting from non-compliant advice files. 	Licensees that provide personal advice to retail clients on relevant financial products

Summary table of estimated industry funding levies for the financial advice sector

Table 2: Estimated industry funding levies for the financial advice sector

Subsector	Definition	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Estimated levy
Licenses that provide personal advice to retail clients on relevant financial products	<p>Entities that are AFS licensees authorised to provide financial product advice on relevant financial products to retail clients.</p> <p>Note: 'Relevant financial products' are financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of those products.</p>	\$55.523m	2,655 AFS licensees with 16,019 advisers*	<p>Adjusted number of advisers on the financial advisers register</p> <p>The levy metric is based on the number of relevant providers (within the meaning of s910A of the Corporations Act) that are:</p> <ul style="list-style-type: none"> • registered on the financial advisers register at the end of financial year; and • authorised to provide personal advice to retail clients on behalf of the entity. <p>A licensee will only pay the levy in proportion to the number of days in the financial year that they held the relevant AFS licence authorisation.</p>	\$1,500	No threshold	Minimum levy of \$1,500, plus \$3,217 per adviser

Subsector	Definition	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Estimated levy
Licenseses that provide personal advice to retail clients on products that are not relevant financial products	Entities that are AFS licenseses authorised to provide financial product advice to retail clients only on basic banking products, general insurance products and consumer credit insurance.	\$0.065m	541	<p>Number of days authorised</p> <p>The number of days in the financial year on which the entity holds the relevant AFS licence authorisation.</p> <p>Note: The subsector regulatory costs will be shared equally between entities that are part of the subsector for the full financial year, because regulatory effort for each entity is not dependent on the size of the entity.</p>	Not applicable	Not applicable	\$121
Licenseses that provide general advice only	Entities that are AFS licenseses authorised to provide financial product advice that is general advice only.	\$2.796m	1,061	<p>Flat levy</p> <p>Note: The subsector regulatory costs will be shared equally between all entities in the subsector because our regulatory costs for each entity are not dependent on each entity's share of total business activity within the subsector.</p>	Not applicable	Not applicable	\$2,635
Licenseses that provide personal advice to wholesale clients only	Entities that are AFS licenseses authorised to provide financial product advice to wholesale clients only.	\$0.034m	1,817	<p>Flat levy</p> <p>Note: The subsector regulatory costs will be shared equally between all entities in the subsector because our regulatory costs for each entity are not dependent on each entity's share of total business activity within the subsector. There is no proportional allocation of the levy for the number of days the entity held the relevant AFS licence authorisation, because the low annual levy rate means that pro rating the levy would be administratively burdensome and disproportionately increase costs to be passed on to the subsector.</p>	Not applicable	Not applicable	\$18

Note: * The number of advisers on the financial advisers register as at 19 January 2023 has been adjusted to take into account financial advisers excluded under reg 43(4) of the *ASIC Supervisory Cost Recovery Regulations 2017* for 2021–22.

Detailed breakdown of estimated costs of regulating each subsector in the financial advice sector

- 10 We have provided a breakdown of the costs for each subsector in the financial advice sector. We have also included the cost of regulating the subsector in the previous year. For more information about the actual costs for 2021–22, see [our annual dashboard report and summary of variances](#) on our website.

Licensees that provide personal advice to retail clients on relevant financial products

- 11 ASIC’s cost of regulating the subsector in 2021–22 was \$56.7 million. The estimated cost of regulating the subsector for 2022–23 is \$55.5 million: see Table 3.

Table 3: Estimated costs to regulate licensees that provide personal advice to retail clients on relevant financial products

Expense	Estimated cost
Supervision and surveillance	\$9.539m
Enforcement	\$18.198m
Other regulatory activities	
<i>Industry engagement</i>	\$0.528m
<i>Education</i>	\$0.465m
<i>Guidance</i>	\$0.835m
<i>Policy advice</i>	\$0.584m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$7.324m
<i>IT support</i>	\$5.472m
<i>Operations support</i>	\$5.148m
<i>Property and corporate services</i>	\$5.921m
Total operating expenditure	\$54.014m
Allowance for capital expenditure	\$3.581m
Less costs funded by own-source revenue	(\$2.073m)
Adjustment for prior year (under or over recovery)	\$0.001m
Total	\$55.523m

Licensees that provide personal advice to retail clients on products that are not relevant financial products

- 12 ASIC's cost of regulating the subsector in 2021–22 was \$73,059. The estimated cost of regulating the subsector for 2022–23 is \$65,295: see Table 4.

Table 4: Estimated costs to regulate licensees that provide personal advice to retail clients on products that are not relevant financial products

Expense	Estimated cost
Supervision and surveillance	\$0.024m
Enforcement	\$0.002m
Other regulatory activities	
<i>Industry engagement</i>	\$0.001m
<i>Education</i>	\$0.001m
<i>Guidance</i>	\$0.002m
<i>Policy advice</i>	\$0.001m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.009m
<i>IT support</i>	\$0.008m
<i>Operations support</i>	\$0.007m
<i>Property and corporate services</i>	\$0.007m
Total operating expenditure	\$0.061m
Allowance for capital expenditure	\$0.004m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m
Total levy to recover costs	\$0.065m

Licensees that provide general advice only

- 13 ASIC's cost of regulating the subsector in 2021–22 was \$1.3 million. The estimated cost of regulating the subsector for 2022–23 is \$2.8 million: see Table 5.

Table 5: Estimated costs to regulate licensees that provide general advice only

Expense	Estimated cost
Supervision and surveillance	\$0.281m
Enforcement	\$0.857m
Other regulatory activities	
<i>Industry engagement</i>	\$0.058m
<i>Education</i>	\$0.021m
<i>Guidance</i>	\$0.032m
<i>Policy advice</i>	\$0.037m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.384m
<i>IT support</i>	\$0.298m
<i>Operations support</i>	\$0.275m
<i>Property and corporate services</i>	\$0.343m
Total operating expenditure	\$2.585m
Allowance for capital expenditure	\$0.211m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m
Total levy to recover costs	\$2.796m

Licensees that provide personal advice to wholesale clients only

14 ASIC's cost of regulating the subsector in 2021–22 was \$50,938. The estimated cost of regulating the subsector for 2022–23 is \$33,610: see Table 6.

Table 6: Estimated costs to regulate licensees that provide personal advice to wholesale clients only

Expense	Estimated cost
Supervision and surveillance	\$0.004m
Enforcement	\$0.017m

Expense	Estimated cost
Other regulatory activities	
<i>Industry engagement</i>	\$0.001m
<i>Education</i>	\$0.000m
<i>Guidance</i>	\$0.000m
<i>Policy advice</i>	\$0.001m
Indirect costs	
<i>Governance, central strategy and legal</i>	\$0.002m
<i>IT support</i>	\$0.002m
<i>Operations support</i>	\$0.002m
<i>Property and corporate services</i>	\$0.002m
Total operating expenditure	\$0.032m
Allowance for capital expenditure	\$0.001m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m
Total levy to recover costs	\$0.034m