



## CRIS: ASIC INDUSTRY FUNDING MODEL (2023–24)

This document is part of ASIC’s 2023–24 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 2023–24 to regulate the financial advice sector—for our ongoing regulatory activities, see paragraphs 1–7, and for our strategic work, see Table 1;
- the estimated levies to recover our costs—for a summary of the indicative 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 2023–24.

## 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, unscrupulous behaviour that results in the provision of poor advice to consumers and scams. Our regulatory tools include bannings, licence cancellations, referrals of misconduct to the Financial Services and Credit Panel (FSCP), and civil or criminal action. 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 and AFS licensees regarding their legal obligations, and we administer the financial adviser exam.
- 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. This includes the Australian Government’s final response to the [Quality of Advice Review](#), such as its [Delivering better financial outcomes package](#) and the experienced provider pathway.

### **Strategic work for this sector**

- 7 ASIC’s [Corporate Plan 2023–27: Focus 2023–24](#) outlines our strategic priorities for the next four years and our planned actions for 2023–24. The corporate plan also sets out our core strategic projects, which support the delivery on our strategic priorities.
- 8 Our strategic priorities inform our [2024 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 2023–24.

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 (2023–24)**

Strategic work	Key actions	Relevant subsector
Cyber and operational resilience (core strategic project)	<ul style="list-style-type: none"> <li>Reporting on a cross-industry self-assessment to benchmark and increase cyber resilience in our regulated population: see Report 776 <i>Spotlight on cyber: Findings and insights from the cyber pulse survey 2023</i> (<a href="#">REP 776</a>).</li> <li>Conducting targeted surveillances to monitor cyber and operational resilience among our regulated entities.</li> <li>Engage with industry to promote good practices and support initiatives that enhance cyber resilience, including by leveraging insights from the <a href="#">cyber pulse survey results</a>.</li> <li>Developing supervisory approaches for emerging operational risks, including artificial intelligence.</li> <li>Partnering with other regulators to harmonise regulatory approaches and action.</li> <li>Updating the legal and compliance obligations for regulated entities that were first published in Report 429 <i>Cyber resilience: Health check</i> (<a href="#">REP 429</a>).</li> <li>Supporting the implementation of whole-of-government cyber resilience initiatives relevant to ASIC's regulated entities.</li> <li>Taking enforcement action against our regulated entities where there are egregious failures to mitigate the risks of cyber attacks and related governance failures relating to cyber resilience.</li> </ul>	All financial advice subsectors
Superannuation and choice products: what focus is there on performance?	<ul style="list-style-type: none"> <li>Completing our review of superannuation trustees' distribution practices in relation to choice superannuation products, and the role of financial advisers and their licensees in the distribution of underperforming choice products.</li> <li>Publishing Report 779 <i>Superannuation choice products: What focus is there on performance?</i> (<a href="#">REP 779</a>).</li> </ul>	Licensees that provide personal advice to retail clients on relevant financial products

(Table continues over page.)

Strategic work	Key actions	Relevant subsector
Breach reporting	<ul style="list-style-type: none"> <li>Continuing to monitor the operation of the reportable situations regime to further support industry with the practical implementation of the new obligations,</li> <li>Working with stakeholders to identify and implement solutions that will improve the consistency and quality of reporting practices.</li> <li>Developing a framework for ongoing publication of information about the reports received.</li> <li>Conducting a targeted surveillance of AFS licensees with low numbers of reportable situations and, where appropriate, taking enforcement action.</li> <li>Developing enhanced data analytics capabilities to harness the value of the information we receive under the regime to achieve better regulatory outcomes.</li> </ul>	All financial advice subsectors
Use of artificial intelligence and advanced data analytics in financial services and credit	<ul style="list-style-type: none"> <li>Reviewing the risks of consumer harm flowing from the use of consumer data, artificial intelligence and advanced data analytics in financial services and credit.</li> <li>Examining how institutions are identifying and seeking to mitigate risks.</li> </ul>	All financial advice subsectors
Inadequate dispute resolution arrangements	Investigating non-responses to the Australian Financial Complaints Authority (AFCA) under the external dispute resolution scheme.	All financial advice subsectors
Acting against non-lodgement of financial reports	Taking action, including possible enforcement action, against companies and AFS licensees who do not comply with obligations to lodge financial reports.	All financial advice subsectors
Compensation Scheme of Last Resort (CSLR)	Supporting the establishment of the CSLR.	Licensees that provide personal advice to retail clients on relevant financial products
Unlicensed advice	Continuing to identify unlicensed advice and considering action, including enforcement action, against misconduct by being selective about the matters we pursue to ensure we use our resources to target misconduct effectively.	All financial advice subsectors
Adviser registration	<ul style="list-style-type: none"> <li>Facilitating the registration of relevant providers. This work includes: <ul style="list-style-type: none"> <li>building IT infrastructure;</li> <li>preparing guidance; and</li> <li>liaising with industry.</li> </ul> </li> <li>Continuing to engage with AFS licensees and financial advisers to ensure they understand and comply with their new registration obligations.</li> </ul>	Licensees that provide personal advice to retail clients on relevant financial products

Strategic work	Key actions	Relevant subsector
SMSF establishment advice compliance	Commencing a review of SMSF establishment advice to determine if it complies with the law. The review also includes an assessment of related AFS licensee policies and procedures.	Licensees that provide personal advice to retail clients on relevant financial products
Cold-calling superannuation-switching business models	Taking action, including enforcement action, to protect consumers from cold-calling practices that induce inappropriate superannuation switching and result in the erosion of superannuation balances.	All financial advice subsectors
Financial adviser exam	Administering the financial adviser exam, including: <ul style="list-style-type: none"> <li>• assessing advisers' eligibility to sit the exam;</li> <li>• issuing exam eligibility numbers;</li> <li>• preparing guidance; and</li> <li>• responding to queries from advisers.</li> </ul>	Licensees that provide personal advice to retail clients on relevant financial products
FSCP	Ensuring the efficient and effective operation of the FSCP as the single disciplinary body for financial advisers. This work includes: <ul style="list-style-type: none"> <li>• preparing FSCP briefs for consideration by the FSCP;</li> <li>• providing Secretariat and FSCP delegates;</li> <li>• recording sanctions made by an FSCP on the financial advisers register;</li> <li>• actioning FSCP sanctions and communicating outcomes to the market; and</li> <li>• reviewing the operation of the FSCP after 12 months.</li> </ul>	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
Licensees 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>	\$48.394m	2,766 AFS licensees with 15,371 advisers	<p><b>Adjusted number of advisers on the financial advisers register</b></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"> <li>• registered on the financial advisers register at the end of financial year; and</li> <li>• authorised to provide personal advice to retail clients on behalf of the entity.</li> </ul> <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 \$2,878 per adviser

Subsector	Definition	Estimated cost recovery amount	Number of entities	Levy metric and description	Minimum levy	Graduated levy threshold	Estimated levy
Licensees that provide personal advice to retail clients on products that are not relevant financial products	Entities that are AFS licensees authorised to provide financial product advice to retail clients only on basic banking products, general insurance products and consumer credit insurance.	\$0.269m	576	<p><b>Number of days authorised</b></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	\$483
Licensees that provide general advice only	Entities that are AFS licensees authorised to provide financial product advice that is general advice only.	\$2.985m	1,097	<p><b>Flat levy</b></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	\$2,721
Licensees that provide personal advice to wholesale clients only	Entities that are AFS licensees authorised to provide financial product advice to wholesale clients only.	\$1.884m	1,931	<p><b>Flat levy</b></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 burden-some and disproportionately increase costs to be passed on to the subsector.</p>	Not applicable	Not applicable	\$976

## 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. It also includes the cost of regulating the subsector in the previous year. For more information about the actual costs for 2022–23, see [our annual dashboard and summary of variances documents](#) on our website.

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

- 11 ASIC’s cost of regulating the subsector in 2022–23 was \$47.6 million. The estimated cost of regulating the subsector for 2023–24 is \$48.4 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	\$6.507m
Enforcement	\$19.511m
Other regulatory activities	
<i>Industry engagement</i>	\$0.773m
<i>Education</i>	\$0.521m
<i>Guidance</i>	\$0.498m
<i>Policy advice</i>	\$1.380m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$2.979m
<i>Digital, data and technology</i>	\$7.464m
<i>Corporate support</i>	\$2.967m
<i>Property and accommodation services</i>	\$4.510m
<b>Total operating expenditure</b>	<b>\$47.109m</b>
Allowance for capital expenditure	\$1.206m
Less costs funded by own-source revenue	(\$0.297m)
Adjustment for prior year (under or over recovery)	\$0.376m
<b>Total</b>	<b>\$48.394m</b>



## 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 2022–23 was \$96,425. The estimated cost of regulating the subsector for 2023–24 is \$269,172: see Table 4.

**Table 4: Estimated levies to recover 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	\$0.062m
Enforcement	\$0.056m
Other regulatory activities	
<i>Industry engagement</i>	\$0.008m
<i>Education</i>	\$0.004m
<i>Guidance</i>	\$0.007m
<i>Policy advice</i>	\$0.010m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.020m
<i>Digital, data and technology</i>	\$0.046m
<i>Corporate support</i>	\$0.020m
<i>Property and accommodation services</i>	\$0.028m
<b>Total operating expenditure</b>	<b>\$0.261m</b>
Allowance for capital expenditure	\$0.008m
Less costs funded by own-source revenue	\$0.000m
Adjustment for prior year (under or over recovery)	\$0.000m
<b>Total levy to recover costs</b>	<b>\$0.269m</b>

## Licensees that provide general advice only

- 13 ASIC's cost of regulating the subsector in 2022–23 was \$2.3 million. The estimated cost of regulating the subsector for 2023–24 is \$3.0 million: see Table 5.

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

Expense	Estimated cost
Supervision and surveillance	\$0.449m
Enforcement	\$1.147m
Other regulatory activities	
<i>Industry engagement</i>	\$0.052m
<i>Education</i>	\$0.025m
<i>Guidance</i>	\$0.064m
<i>Policy advice</i>	\$0.160m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.154m
<i>Digital, data and technology</i>	\$0.414m
<i>Corporate support</i>	\$0.153m
<i>Property and accommodation services</i>	\$0.241m
<b>Total operating expenditure</b>	<b>\$2.860m</b>
Allowance for capital expenditure	\$0.086m
Less costs funded by own-source revenue	(\$0.001m)
Adjustment for prior year (under or over recovery)	\$0.040m
<b>Total levy to recover costs</b>	<b>\$2.985m</b>

### Licensees that provide personal advice to wholesale clients only

14 ASIC's cost of regulating the subsector in 2022–23 was \$176,202. The estimated cost of regulating the subsector for 2023–24 is \$1.9 million: see Table 6.

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

Expense	Estimated cost
Supervision and surveillance	\$0.216m
Enforcement	\$0.798m

<b>Expense</b>	<b>Estimated cost</b>
Other regulatory activities	
<i>Industry engagement</i>	\$0.022m
<i>Education</i>	\$0.022m
<i>Guidance</i>	\$0.009m
<i>Policy advice</i>	\$0.037m
Indirect costs	
<i>Commission, legal services and risk management</i>	\$0.119m
<i>Digital, data and technology</i>	\$0.304m
<i>Corporate support</i>	\$0.122m
<i>Property and accommodation services</i>	\$0.188m
<b>Total operating expenditure</b>	<b>\$1.835m</b>
Allowance for capital expenditure	\$0.048m
Less costs funded by own-source revenue	(\$0.001m)
Adjustment for prior year (under or over recovery)	\$0.001m
<b>Total levy to recover costs</b>	<b>\$1.884m</b>