

Consultation on proposed licensing fees in the new financial advice regime – a summary

The Ministry of Business, Innovation and Employment (MBIE) is seeking feedback on proposed licensing fees for financial advice providers. This document provides a summary of MBIE's proposals and should be read alongside the Discussion Paper. To read the Discussion Paper and make a submission, please visit www.mbie.govt.nz/faareview.

The Financial Services Legislation Amendment Bill introduces a new regulatory regime for financial advice. The Bill requires anyone giving financial advice to retail clients to be covered by a licence granted by the Financial Markets Authority (FMA). There will be two phases to licensing: transitional and full licensing.

HOW DOES THIS COMPARE TO CURRENT FEES?



A SINGLE ADVISER BUSINESS

A current registered financial adviser running their own business did not have to pay any licensing or authorisation fees to become an RFA under the current regime.

Under the proposal, if they structure their business as a 'single adviser business' they will pay a full licence application fee of \$575.*



A FINANCIAL ADVICE PROVIDER THAT ENGAGES 5 FINANCIAL ADVISERS

In a small firm with five authorised financial advisers (AFAs), each of the advisers was required to pay an application fee of \$996 to become an AFA, amounting to \$4,980.

Under the proposal, if the firm becomes a financial advice provider and engages the five financial advisers, it will pay an application fee of \$730* for a full licence.



A FINANCIAL ADVICE PROVIDER THAT ENGAGES 100 NOMINATED REPRESENTATIVES

A large insurer that engages internal employees to advise on its products was required to pay \$4,249 to become a qualifying financial entity (QFE).

Under the proposal, if the firm chooses to become a financial advice provider and engage nominated representatives, it will pay an application fee of \$885* for a full licence.

Proposed Full Licensing Fee



Financial advice provider that is a single adviser business or only gives advice on its own account

\$575



Financial advice provider that engages multiple financial advisers but not nominated representatives

\$730



Financial advice provider that engages nominated representatives

\$885

Fee (ex GST)*

+ \$155 per hour for complex applications

Proposed Transitional Licensing Fee

All financial advice providers

\$363

Fee (ex GST)*



Consultation on the proposed FMA Levy in the new financial advice regime

– a summary

The Ministry of Business, Innovation and Employment (MBIE) is seeking feedback on proposed changes to the Financial Markets Authority (FMA) levy for financial advice. This document provides a summary of MBIE's proposals and should be read alongside the Discussion Paper. To read the Discussion Paper and make a submission, please visit www.mbie.govt.nz/faareview.

The Financial Services Legislation Amendment Bill introduces a new regulatory regime for financial advice. Changes to the way the FMA levy is set for the financial advice industry are required to reflect the new regulatory regime.

HOW DOES THIS COMPARE TO CURRENT LEVIES?

Proposed Levy

At each annual confirmation



Financial advice provider

\$230



Per nominated representative

\$179



If gives advice on its own account

\$1,106



Financial adviser

\$267

Levy (ex GST)*

At initial registration



Financial advice provider or financial adviser

\$460

Levy (ex GST)*



A SINGLE ADVISER BUSINESS

A current registered financial adviser running their own business pays an annual levy of \$460.

Under the proposal, if they choose to structure their business as a 'single adviser business', they will pay an annual levy of \$497.



A FINANCIAL ADVICE PROVIDER THAT ENGAGES 5 FINANCIAL ADVISERS

A small advice firm of five authorised financial advisers (AFAs), currently pays annual levies of \$2,110.

Under the proposal, if the firm chooses to obtain a licence and engage the five individual financial advisers, it will pay annual levies of \$1,565.



A FINANCIAL ADVICE PROVIDER THAT ENGAGES 100 NOMINATED REPRESENTATIVES

A large insurer is currently a qualifying financial entity (QFE) and does not pay a specific levy for its financial advice service.*

Under the proposal, if the insurer chooses to obtain a licence and engage its 100 individual employees as nominated representatives, it will pay an annual levy of \$18,130 for its financial advice service.

* Under the current levy classes, QFEs do not pay a levy in respect of their financial adviser service if they pay a levy for any other relevant classes (e.g as an insurer).