

Submission on discussion document: *Financial advice provider licensing fees and changes to the FMA levy*

Your name and organisation

Name	Rory O'Neill
Organisation	Boutique Advisers Alliance Ltd

Responses to discussion document questions

FMA licensing fees

1 ***Do you agree with the identified objectives for fee setting? Are there other objective which should be considered?***

Yes, we agree with the objectives for fee setting.

2 ***Do you have any comments on our proposed transitional licensing fees as set out in the discussion document?***

The transactional licencing fees are set at a reasonable level. The 'limited number of factors' that are being considered for this fee should be enough to ensure the bar is not too low. Thus, identifying uncompliant or unethical advisers before they do harm to the industry.

3 ***Do you have any comments on our assessment of the proposed full licensing fees as set out in the discussion document?***

The proposed fee charges are fair and reasonable.

Changes to the FMA Levy

4 ***Do you agree with the identified objectives for setting the levy amounts that will apply in the new financial advice regime? Are there other objectives which should be considered?***

Agree

5 ***Do you have any comments on the proposed levy? Are there any further advantages or disadvantages to our proposal?***

We agree with the proposed levy costs.

6 ***Should the levy relating to financial advisers be payable by the financial adviser as proposed, or the financial advice provider?***

We believe that the Financial Advice Provider should pay for each adviser under its licence. The liability is on the FAP not the adviser. An adviser working for multiple FAP's is not acting in the client's best interests. There are potential compliance issues and it opens up the possibility for bad advice.

The Levy should not be capped. Very large organisations need to pay proportionally.

7

Do you have any comments on the alternative options set out in the discussion document? Are there other options, or variations on the alternative options, that should be considered?

The incremental increase is a preferable model. It is a simple model - \$267 per adviser. The comment that tiers could discourage growth is true. A large increase in levy by moving up a tier to employ one adviser may result in a FAP not making an offer, slowing growth.

8

What would the costs and benefits be of providing relief to single adviser businesses?

Offering relief will only act as a cost to the industry. Single adviser firms should pay the licence fee and per adviser. The growth of the business is stopped otherwise. For example, a business going from one to two advisers would pay \$534 rather than just the proportional increase of \$267

Offering relief on registration opens up the possibility of manipulation. A single adviser business would register as such then add advisers retrospectively

Changes to levies relating to authorised bodies

9

Do you have any comments on the proposed changes to the levies that relate to authorised bodies?

We have no issue with the total activity concept. We have always been uncomfortable with the tiered structure though. There should just be a levy for each class rather than a levy that is open to market movement in Fund Under Management. FUM is also not an indicator of a business's activities. An advice business with the same FUM one with larger mandates is a different organisation to the one with hundreds of clients.

Assumptions

10

Do you have any comments on the assumptions used in this paper as outlined in Annex 1 of the discussion document?

Our only comment is on an assumption that has been excluded. Under 'Proposed Levies' section 33 reference has been made to working for multiple FAP's. This is an incorrect assumption to be made and is something that will not work in practice. It should not be referred to and only causes confusion to market participants. Working for multiple FAP's should not be allowed.

Other comments