

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

## Your name and organisation

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## 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?*

We agree with the objectives and have nothing further to add.

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

Our view is that the fees are appropriate for the simple generic process proposed for transitional licensing.

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

We agree with the approach to base full licensing fees on complexity of the FAP application. As our member firms employ only RFAs there is currently no licensing fee as a comparison and as yet have no detail on the requirements for the full license application. The key will be to ensure that applicants are given assistance including supporting material and information as to what will be is required to complete in an application. This will be important to avoid incurring additional processing time/cost for both the applicant and the FMA.

### 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?*

We agree with the objectives and have nothing further to add.

5

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

The proposal of a cap will apply only to FAPs and their nominated reps. Levies for financial advisers will be paid by them personally (as is the current practice for RFAs).

This proposal is based on the fact that financial advisers could work for a number of FAPs. However it doesn't recognise the fact that FAPs may employ or engage financial advisers who are employees or exclusive to that provider and the FAP will bear the cost of the adviser levy.

We submit that the cap should also apply to FAPs that engage or employ financial advisers who are exclusive to that FAP (e.g. an insurance broker who is currently an RFA employee of a firm).

6

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

As mentioned above, for many of our member companies (FAPs) their advisers will be exclusive to the FAP and most will be employees. Currently these employees (RFAs) will have had their registration fees paid for by the employer and this approach will no doubt be viewed as appropriate for future FMA levy payments.

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?*

We do not support the alternative options and have no other options/variations to suggest.

8

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

We agree relief should be considered for a single adviser business in relation to the levies payable at initial registration. Imposing un-necessary compliance costs on small businesses will have a negative impact on the number of advisers available to consumers.

#### **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?*

## Assumptions

10

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

Generally agree with the assumptions set out in para 49 except for (d) that most current AFAs and RFAs will become financial advisers.

We would expect that to be the case for AFAs given the lower hurdles to move from authorisation to the new licencing regime. However not necessarily the same for RFAs.

It maybe that a number of firms that employ or engage RFA advisers will look closer at whether their advisers need to continue to be financial advisers or nominated reps or whether they continue to provide advice at all to consumers.

While the cost of licencing is a factor, there are other significant costs and obligations under the new regime which will determine how advisory firms are structured and the sort of advisers those firms engage.

## Other comments