

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

Your name and organisation

Name	Rob W M Dowler
Organisation	Red Owl Consulting 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?*

No comment

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

No comment

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

In the absence of a consultation or finalisation and availability of the licensing criteria to be applied by the FMA, even allowing for the experience that the FMA already has in assessing and issuing other licences, it somewhat belies belief that it is possible to calculate the base costs that the FMA will likely incur in assessing licence applications against whatever the final licensing criteria are.

The ability for the FMA to apply an additional \$155 per hour cost over and above the base licence application fee potentially covers this circumstance but leaves open the risk that the licensing fee proposal will fail in its objective of limiting uncertainty to prospective applicants as to the likely total amount of the fees they will be required to pay.

One solution would be to delay finalising the licensing fees until the licensing criteria are finalised.

Also refer to the comments provided in response to question 10.

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?*

No comment

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

disadvantages to our proposal?

No comment

6

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

Why not allow the option for the levy to be paid by either the financial adviser or the financial advice provider at the election of the financial advice provider? That is, allow a financial advice provider to nominate those financial advisers that it is prepared to pay the financial adviser levy for, and to amend the list from time to time.

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?

No comment

8

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

No comment

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?

No comment

Assumptions

10

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

Referring to the number of expected licence applicants and processing times and my answer to Question 3 above, the fee income calculation is highly sensitive to the numbers of licence applicants assumed.

To reduce this uncertainty, one solution would be to delay finalising the licensing fees and levies until information about the number of potential licence applicants can be better determined from the number of transitional licenses issued.

The level of staffing that the FMA will require to process the licence applications is similarly highly sensitive. This sensitivity is inherent in the wide range of the number of licence applicants estimated by the FMA (varying between 1,250 and 3,240) as well as whether additional hours (over and above the base hours) will be required to process applications.

Even assuming the estimated processing hours are correct with no additional costed hours required, the equivalent years of staff required (assuming a 40-hour week) varies from 1.3 labour years for 1,250 applicants, up to 3.5 labour years for 3,240 applicants. Adding just one hour of extra costed time on average to each application increases the staff resource requirement by close to 50%.

In the absence of an ability to accurately assess the likely staff requirement, there must be an increased risk that the licensing process fails to properly identify those entities that are unable to meet the licensing criteria, effectively meaning that the licensing process becomes by default more of a registration process simply titled as licensing. This also increases the

risks that failures to meet the licensing requirements will be identified early after completion of licensing, potentially damaging the reputation of the regulator and industry more generally.

Again, I reiterate the suggestion that there be a delay in setting the licensing fees until information about the licensing criteria and the number of potential licence applicants can be better determined from the number of transitional licenses issued.

(Note: In completing the calculations above for the different number of estimated licence applicants (1,250 and 3,240), I have assumed that the split between each category of financial advice provider seeking a licence remains the same as shown in the table based upon the assumed estimate of 2,240 applicants.)

Other comments

No other comments.