Submission to MBIE on the proposed Financial Advice Provider licensing fee and changes to the FMA Levy

BACKGROUND

SHARE is a nationwide network of 77 financial advisers supported by a further 65 staff across 23 offices providing advice on Insurance, Investments, Mortgages. Around half of SHARE Advisers are AFAs (some only provide advice on Category 2 products) with the balance being RFAs.

All SHARE advisers operate under the SHARE brand and SHARE currently provides policies, processes and procedures for advisers to follow, and requires advisers to be audited on a regular basis to ensure that those policies, processes and procedures are being adhered to.

Given the requirements to be a SHARE adviser, it is likely that SHARE will apply to become a licenced Financial Advice Provider under the Financial Markets Conduct Act with all SHARE advisers becoming Financial Advisers under that licence. It is unlikely that SHARE will engage Nominated Representatives.

GENERAL POSITION

SHARE believes that FSLAB will enhance the confidence and trust that clients have in the Financial Services profession and in Financial Advisers. In order to be effective and sustainable, the mechanisms contained in FSLAB must be funded appropriately. We are generally supportive of the Financial Advice Provider licencing fees and changes to the FMA levy contained in the discussion document and in particular to the approach and rationale provided in support of the proposals.

We believe that the fees and levies are at the lower end of expectations and this is welcomed. The separate approaches to setting the fee and the levy appear to be both sensible and well thought through.

The Minister commented on several occasions that the costs of licensing should not be prohibitive in general or overly onerous on small advice firms or single advisers. The sliding scale ought to achieve this objective and maintain the current diversity of organisational structures in the profession which promotes both Financial Adviser independence and client choice.

SPECIFIC COMMENTS

1. The open-ended nature of the additional hourly rate to process more complex full licence applications erodes the certainty that is provided elsewhere in the proposals. Whilst we understand that some applications will be more complex that others and that this will require further time and cost to process, there appear to be few controls in place to ensure that this will be completed efficiently.
   Perhaps further guidance on the expectations and information required to process these more complex applications would allow the applicant to provide the information at the outset and minimise exposure to this additional cost.

2. We note that the FMA has not yet settled terms or expiry dates for Financial Advice Provider Licences. As above, this limits the certainty in establishing the costs of obtaining and maintaining a licence under the new regime. We would expect a Financial Advice Provider Licence to have a long-dated expiry, if any at all.

3. The $80,000 cap appears to be for the benefit of organisations with large numbers of Nominated Representatives and justified on the basis that, without it, such organisations may be discouraged from providing financial advice or may limit the number of individuals that are able to give advice. Given that the cost per nominated representative of $179 per annum is modest, we consider that it is unlikely to materially limit access to advice for consumers and that the cap is inappropriate. Those organisations ought to be left to make their own decision about which individuals are able to give advice and incur the relevant levy.

CONCLUSION

In summary we appreciate MBIE taking a consultative and considered approach to appropriately funding the licensing element of the FSLAB. We support the proposals and consider that some minor amendments could enhance fairness and sustainability of the fees and levies.

Thank you for the opportunity to contribute to this important discussion.

T. Dench

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