FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

13 August 2021

Australian Securities and Investments Commission
Level 5
100 Market Street
Sydney NSW 2000

Email: policy.submissions@asic.gov.au

Dear Sir / Madam

Cost Recovery Implementation Statement: ASIC industry funding model (2020–21)

The Financial Planning Association of Australia[1] (FPA) welcomes the opportunity to provide feedback on ASIC's consultation version of the Cost Recovery Implementation Statement (CRIS) for the 2020-2021 ASIC industry funding model.

The FPA's feedback focuses on the aspects of the funding model that apply to financial planners. The FPA supports ASIC's oversight role in enforcing the laws it is responsible for in order to protect consumers, however we continue to hold significant concerns about the equity of the funding levy and its impact on small and medium-sized financial planning businesses.

We would welcome the opportunity to discuss with ASIC any matters raised in our submission. If you have any questions, please contact me on 02 9220 4500.

Yours sincerely

Ben Marshan CFP® LRS®
Head of Policy, Strategy and Innovation
Financial Planning Association of Australia

[1] The Financial Planning Association (FPA) is a professional body with more than 12,000 individual members and affiliates of whom around 8,500 are practising financial planners and 5,207 are CFP professionals. Since 1992, the FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- In 2009 we announced a remuneration policy banning all commissions and conflicted remuneration on investments and superannuation for our members – years ahead of the Future of Financial Advice reforms.
- The FPA was the first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices.
- We have an independent Conduct Review Commission, chaired by Dale Boucher, dealing with investigations and complaints against our members for breaches of our professional rules.
- We built a curriculum with 18 Australian Universities for degrees in financial planning through the Financial Planning Education Council (FPEC) which we established in 2011. Since 1 July 2013 all new members of the FPA have been required to hold, or be working towards, as a minimum, an approved undergraduate degree.
- When the Financial Adviser Standards and Ethics Authority (FASEA) was established, the FPEC 'gifted' this financial planning curriculum and accreditation framework to FASEA to assist the Standards Body with its work.

We are recognised as a professional body by the Tax Practitioners Board.

COST RECOVERY IMPLEMENTATION STATEMENT: ASIC INDUSTRY FUNDING MODEL (2020-21)

Prepared for ASIC

13 August 2021

Introduction

The latest ASIC estimated industry funding levy for financial planners in the consultation CRIS reinforces the FPA's position that the current formula for the levy is not equitable or sustainable.

The ASIC industry levy for financial planners has gone up over 340 per cent in the last four years and is on an unsustainable trajectory.

While the FPA acknowledges the need for an industry-funded regulatory model, two major issues have become apparent since the levy was first applied in the 2017-2018 fiscal year.

1. The levy amount each year has proved to be unpredictable, which makes it practically impossible for a financial planner to effectively budget for this business cost, particularly by a profession that is dominated by small and medium-sized businesses.

   This year, the estimate is $1500 + $3183, was a further increase of 31 percent from last year. The FPA notes last year's estimate was wrong by 54 percent – that is, between the CRIS and the final. This clearly demonstrates the trend of the actual levy figure could be significantly higher.

2. The levy has been increasing at a dramatic rate of 340 per cent over four years, which far surpasses the rate of revenue growth for most financial planning businesses, or increases to ASIC's budget. This is being compounded as the number of registered financial planners in Australia have continued to decline, from whom the levy must be recovered.

   In any industry, if a cost or a fee was to increase by 340 per cent over four years that industry would be unsustainable.

While the levy is borne by the licensee, these costs are ultimately passed on to the individual financial planner and, in turn, to consumers. If left unaddressed, the ASIC levy, along with other regulatory costs, will continue to impact the affordability of financial advice for Australians.

Large licensees

ASIC's Report 499: *Financial advice: Fees for no service* outlines the Regulator's enforcement investigations of specific Australian financial services (AFS) licensees charging customers fees to deliver ongoing advice services where those services were not provided. The licensee review and remediation programs of consumers affected by this misconduct has been ongoing since the commencement of ASIC's investigations of this matter 2015. The project focused only on ASF licensees that were product issuers or provided personal advice to retail clients, and that were part of the following six entities:

1. AMP Limited (AMP)

2. Australia and New Zealand Banking Group Limited (ANZ)

3. Commonwealth Bank of Australia (CBA)

4. Macquarie Group Limited (Macquarie)

5. National Australia Bank Limited (NAB)

6. Westpac Banking Corporation (Westpac)

Report 499 makes it clear that in relation to these entities ASIC "*continue[s] to monitor the advice licensees' implementation of both the review and remediation processes, and the further reviews instigated at ASIC's request. This will include regular progress reporting by the licensees to ASIC. We intend to provide a public update, via media release, on the progress and outcomes of these review and remediation activities….*". This Report was released in October 2016 and focused on misconduct that occurred prior to that date. However, these remediation programs were extended to include other misconduct following evidence presented at the Royal Commission.

RG256: *Client review and remediation conducted by advice licensees* further articulates ASIC surveillance, investigation and enforcement activity specifically in relation to the remediation programs of these six licensees:

> *There may be times when we will encourage you to initiate a review of client advice and the remediation of clients, or we may require this as part of our enforcement activities. In these instances, and where you voluntarily commence a process of review and remediation that ASIC is aware of, our involvement may include:*
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> > *(a) general monitoring of the review and remediation process;*
> >
> > *(b) reviewing and commenting on the design and implementation of the review and remediation;*
> >
> > *(c) requesting regular reporting on the progress of the review and remediation, and providing feedback on those reports; or*
> >
> > *(d) a combination of the above.*
> >
> > *Note: This is not an exhaustive list.* [2]

The table below provides a breakdown of the compensation payments made or offered by these institutions for the consultation CRIS financial year of 1 July 2020 – 30 June 2021.[3]

Institution	**Fees for no service misconduct**		**Non-compliant advice**	
	Compensation paid or offered	**No. of customers paid or offered compensation**	**Compensation paid**	**No. of customers paid compensation**
AMP	$84,699,065	26,088	$10,245,302	918
ANZ	$30,315,723	6,455	$5,517,906	203
CBA	$2,180,391	3,104	-	-
Macquarie	$658,000	122	-	-

[2] RG 256.43

[3] Based on data released by ASIC on 24 August 2020 - 20-193MR ASIC update on compensation for financial advice related misconduct; and 5 August 2021 - 21-203MR ASIC update: Compensation for financial advice related misconduct as at 30 June 2021

Institution	Fees for no service misconduct		Non-compliant advice	
	Compensation paid or offered	**No. of customers paid or offered compensation**	**Compensation paid**	**No. of customers paid compensation**
NAB	$188,069,293	50,668	$27,816,530	560
Westpac	$447,933,212	43,148	$17,486,921	1,354
Total	$753,855,684	129,585	$61,066,659	3035

The FPA notes that in 2013 ASIC accepted an enforceable undertaking from Macquarie Equities[4], which was largely complete in June 2017[5]. However, it is unclear how the cost of ASIC's regulatory activity in relation to enforceable undertakings is recovered.

The compensation paid or offered by these six institutions during the 2020-2021 financial year was $814,922,343. Importantly, this amount was paid or offered to 129,585 consumers for fees for no service misconduct, and 3,035 consumers for non-compliant advice provided by these large institutions.

The amount of compensation paid or offered, and the substantial number of consumers involved, indicates that there was a significant amount of ASIC surveillance and investigation activity and resources involved in order to provide effective regulatory oversight of these licensees' ongoing remediation programs during the last financial year.

The consultation CRIS states that "*All entities in this subsector will pay a minimum levy of $1,500, and a graduated levy based on each AFS licensee's share of the total number of advisers registered on the financial advisers register at the end of the financial year. This is because the greater the number of advisers, the larger the number of clients able to be serviced and the higher the level of regulatory oversight required*". (Paragraph 320.)

However, these large licensees have progressively and significantly reduced their footprint in the advice market since 2015[6].

Institution	Adviser numbers 2015	Adviser numbers 2021
AMP	3,266	1,339
ANZ	1239	123

[4] https://asic.gov.au/about-asic/news-centre/find-a-media-release/2013-releases/13-010mr-asic-accepts-enforceable-undertaking-from-macquarie-equities-ltd/
[5] https://asic.gov.au/about-asic/news-centre/find-a-media-release/2017-releases/17-177mr-macquarie-equities-remediation-program-update/
[6] Wealth Data - https://wealthdata.com.au/adviser-movement-fast-facts

Institution	Adviser numbers 2015	Adviser numbers 2021
CBA	1,159	225
Macquarie	328	163
NAB[7]	1773	286
Westpac	1,187	0

The exodus by these licensees from the personal financial advice to retail clients on relevant financial products subsector has had a marked impact on the advice market. Analysing data from the Productivity Commission and the ASIC Financial Adviser Register (FAR) shows the growing trend of small businesses who hold and operate under their own AFSL - the percentage of advice licensees operating a firm with less than 10 financial advisers increased from 78% in 2017 prior to the Royal Commission, to 88% in August 2021[8].

The consultation CRIS states that the "*industry funding model for ASIC … ensures that the costs of the regulatory activities undertaken by ASIC are borne by those creating the need for regulation"* (paragraph 20). However, this levy is charged to licensees based on the number of financial advisers listed on the ASIC FAR as at 30 June 2021. Given the significant withdrawal from the personal advice to retail clients by these six large licensees, they will not incur a levy for this ASIC investigation and enforcement activity.

The FPA suggest this may be inconsistent with s10(4)(a) of the ASIC Supervisory Cost Recovery Levy Act 2017:

> *(4) In determining an amount for a financial year under paragraph (2)(a), ASIC must not include the following amounts:*
>
> > *(a) amounts relating directly to the regulation of persons and entities that are not leviable entities;*

The consultation CRIS states that the *"industry funding model for ASIC …. improves our cost transparency and accountability to industry*" (paragraph 20). However, ASIC does not disclose its costs in relation to its target oversight of these six large licensees' misconduct investigations and remediation programs.

Table 3: *Regulatory costs to be recovered by statutory levies by activity* of the consultation CRIS states the activities that will be recovered via a statutory levy include ASIC Enforcement Special Account (ESA). For licensees who provide personal financial advice to retail clients on relevant

[7] On 31 August 2020 NAB entered into a Sale and Purchase Agreement to sell 100% of MLC Wealth (MLC) to IOOF Holdings Ltd - https://news.nab.com.au/news_room_posts/nab-announces-agreement-to-sell-mlc-wealth-to-ioof/ .The new IOOF will have number of advisers – 1,884 advisers - IOOF financial adviser numbers sourced from ASIC financial adviser register (as at 20 August 2020). MLC adviser numbers sourced from NAB as at 30 June 2020. Assumes all current MLC financial advisers transition to IOOF. Based on active MLC advisers only. - https://www.ioof.com.au/__data/assets/pdf_file/0012/403311/IOOF-FY20-results-and-MLC-acquisition-announcement.pdf
[8] https://wealthdata.com.au/adviser-movement-fast-facts

financial products the statutory levy for enforcement activity is $15.146m[9]. Historically, the ASIC Wealth Management Project which targeted these six licensees advice failures was funded under the ESA. However, due to the lack of transparency in ASIC expenditure, it is unclear if the ASIC enforcement activity in relation to the ongoing remediation programs of these six licensees is to be recovered via the ESA and therefore the statutory levy, or under the cost recovery levy.

It is unclear whether ASIC recovered the surveillance, investigation and enforcement costs related to these remediation programs from the six large licensees directly or if this activity if funded under the ESA. If ASIC is unable to recover these costs from these large licensees, the remainder of the industry, 98.19 percent of whom are small and medium licensees[10], will be left to cover these costs again this financial year. This will likely break some financial planners and licensees and potentially lead further to exits from the industry.

The recovery of these ASIC costs via the levy will be felt by smaller businesses immediately. Such businesses do not have the capacity to absorb these costs

Litigation

The fees for no service misconduct and non-compliant advice failings of the six large licensees investigated by ASIC has also resulted in the Regulator continuing, commencing or planning court action against these entities. The following media releases published by ASIC clearly demonstrate the extent of activity ASIC would have undertaken to pursue these litigations during 2020-2021:

1. 20-190MR *ASIC commences civil penalty proceedings against BT Funds Management and Asgard Capital Management [of the Westpac Group] for charging fees for no service and misleading statements* (20 August 2020) – The matter was listed for a case management hearing in the Federal Court on 6 November 2020, where the Court ordered the filing of a statement of agreed facts and any material both parties will rely upon in relation to penalty and other relief. The matter was listed for a penalty hearing on 22 July 2021.

2. 19-360MR *ASIC takes court action against NAB for fees for no service and fee disclosure statement failures* (17 December 2019) – court case continued throughout the 2020-2021 with the penalty hearing occurring on 17-18 June 2021. Judgment was reserved.

3. 21-115MR *ASIC sues AMP for charging deceased customers* (27 May 2021) – this action is ongoing and was against five companies that are, or were, part of the AMP Limited group, alleging that these entities were involved in charging life insurance premiums and advice fees to more than 2,000 customers despite being notified of their death.

4. 20-143MR *ASIC sues CBA and Colonial First State for payment of banned conflicted remuneration* (23 June 2020) – this case was first heard in July 2020 and was still before the court as at 30 June 2021.

5. 21-196MR Court finds RI Advice liable for failing to supervise financial adviser following ASIC investigation (2 August 2021) – this case was first lodged in October 2019 and was still before the courts in July 2021.

The consultation CRIS states that:

9 Table 64: Estimated levies to recover costs to regulate licensees that provide personal advice to retail clients on relevant financial products

10 https://wealthdata.com.au/adviser-movement-fast-facts - Updated with ASIC Data, Released Aug 5, 2021

We actively seek to recover our investigation and litigation costs directly from the entity involved when we are successful in a matter before the courts. Where possible, we will seek to recover enforcement costs directly from entities involved (e.g. where there is a successful outcome in court). These recoveries are accounted for as ASIC's own-source revenue and are used to offset the levies for relevant subsectors (paragraph 60).

Less costs funded by own-source revenue—Our regulatory costs are adjusted downwards to reflect revenue from the recovery of our regulatory costs. This revenue is generated from sources such as …. the recovery of court awarded costs. The revenue is offset against the regulatory costs for the subsector in which the cost has been allocated. For example, if we are successful in a matter before the courts, we will actively seek to recover our costs directly from the entity involved. Any recoveries will be applied back to the subsector initially levied for the enforcement activity. The actual amount we are able to recover in these instances will vary, as not all costs can be recovered (e.g. where the entity or person we took action against does not have sufficient assets to pay the costs awarded). Generally, we are only able to recover costs when there is a court-based outcome (paragraph 64(b)).

….an upward or downward adjustment to our regulatory costs will be made in the following year.

As mentioned above, the consultation CRIS states that the *"industry funding model for ASIC …. improves our cost transparency and accountability to industry*" (paragraph 20). However, similar to its target oversight of the six large licensees' misconduct investigations and remediation programs, ASIC does not disclose investigation and litigation costs.

ASIC continued its active investigations and litigation of large licensees in 2020-21 FY as indicated by the above media release, however due to the lack of disclosure of ASIC costs and recoveries in relation to these activities, it is unclear if investigation and litigation costs were recovered from these entities, fell under the ASIC Enforcement Special Account, or are yet to be recovered from these entities and therefore are included in the 2021 ASIC levy for the subsector.

It is also unclear whether ASIC recovered these investigation and litigation costs were recovered from the large licensees involved in these court cases prior to the CRIS estimates being released; or if ASIC will be able to recover such costs prior to the final levy being determined. If ASIC is unable to recover these costs from the large licensees, the remainder of the industry will be left to cover these costs this financial year. As 98.19 percent of the industry are small and medium licensees with less than 100 advisers, this will likely break some financial planners and licensees and potentially lead further to exits from the industry.

The recovery of these ASIC costs via the levy will be felt by smaller businesses immediately. Such businesses do not have the capacity to absorb these costs this year in the hope that ASIC will recover this expenditure from the appropriate entity in the coming 12 months and a downward adjustment made to ASIC's regulatory in the following year.

Government Charging Framework

As stated under the Australian Government Charging Framework[11], the following Charging Principles apply to charging activity by government entities, including charging for regulatory activity:

[11] https://www.finance.gov.au/government/managing-commonwealth-resources/managing-money-property/managing-money/australian-government-charging-framework/charging-framework

- Transparency – making available key information about the activity, such as the authority to charge, charging rates, and, where relevant, the basis of the charges

- Efficiency – delivering activities at least cost, while achieving the policy objectives and meeting the legislative requirements of the Australian Government

- Performance – which relates to effectiveness, risk mitigation, sustainability and responsiveness. Engagement with stakeholders is a key element of managing and achieving performance. Entities must regularly review and evaluate charges in consultation with stakeholders to assess their impact and whether they are contributing to government outcomes

- Equity – where specific demand for a government activity is created by identifiable individuals or groups they should be charged for it, unless the Government has decided to fund that activity. Equity is also achieved through the Government's social safety net, to ensure that vulnerable citizens are not further disadvantaged through the imposition of a charge

- Simplicity – whereby charges should be straightforward, practical, easy to understand and collect

- Policy consistency – charges must be consistent with Australian Government priorities and policies, including entity purpose and outcomes. Australian Government agreement may be required for the introduction of new charges and/or changes to charges.

The Australian Government charges the non-government sector for a range of regulatory activities by recovering some or all of the efficient costs of those activities. Regulatory activities are generally those activities where the government wishes to control or influence behaviour, manage risk and/or protect the community.[12]

The FPA suggests controlling or influencing behaviour is most successful if those involved in misconduct are held to full account through enforcement activity and the requirement to reimburse the government for costs directly resulting from ASIC investigation and enforcement activity targeting those specific entity/entities, such and the six large licensees. The Australian Government Cost Recovery Guidelines (the CRGs) also require the cost recovery of regulatory activity to include alignment between expenses and revenue[13].

However, the current ASIC funding model for licensees who provide personal financial advice to retail clients on relevant financial products allows licensees to reduce or avoid the levy by removing advisers from the FAR before 30 June. As discussed above, due to the lack of transparency of ASIC expenditure, it is unclear whether entities who have exited or significantly reduced membership of a subsector yet continue to be subject of targeted surveillance, investigation and enforcement activity of historic breaches of the law, including litigation, are required to reimburse the government for this regulatory activity.

FPA Recommendations – personal advice levy

[12] https://www.finance.gov.au/government/managing-commonwealth-resources/managing-money-property/managing-money/australian-government-charging-framework/charging-regulatory-activities-cost-recovery
[13] https://www.finance.gov.au/government/managing-commonwealth-resources/managing-money-property/managing-money/australian-government-charging-framework/charging-regulatory-activities-cost-recovery

The FPA recommends two critical recommendations must be implemented to address the immediate and ongoing issues of the ASIC levy for the personal financial advice to retail clients on relevant financial products subsector.

1. Urgent and immediate intervention needed

Retrospective Regulations be created and applied to the 2020-2021 Financial Year to cordon off and charge the six large licensees directly under a separate and specific levy for the cost of ASIC's ongoing oversight of their remediation programs and litigation.

Section 10(8) of the ASIC Supervisory Cost Recovery Levy Act 2017 permits the retrospective application of regulations made for the purposes of amounts ASIC must not include (s10(4)(c)) and may include (s10(5)(e)) in determining an amount for a financial year:

> *(8) Subsection 12(2) (retrospective application of legislative instruments) of the Legislation Act 2003 does not apply in relation to the following:*
>
> > *(a) regulations made for the purposes of paragraph (4)(c) or (5)(e);*
> >
> > *(b) a legislative instrument made for the purposes of subsection (2).*

It is unclear whether ASIC is obligated under legislation or regulations to recover the cost of litigation and investigations relating to court action in the industry levy. Consideration should be given to excluding these costs from the levy where these matters are ongoing, until the litigation proceedings are complete and the matter has been determined by the court. This will make it clear whether ASIC has achieved a successful outcome in relation to the litigation, and therefore whether costs will or will not be recovered from the entity subject to litigation investigation and proceedings.

This will alleviate the inequitable upward pressure on the levy incurred by licensees not subject to this enforcement activity.

2. Review of the Industry Funding Levy

As a first step in addressing these ongoing challenges of predictability and dramatic levy increases, we call for the Government to urgently and immediately undertake a review of the ASIC industry levy.

It has been four years since the levy was first introduced, and it is now critical to review its implementation and impact on the financial services sector. Making financial advice more affordable for all Australians starts with making financial planning more affordable to practice.

There are activities that we're aware ASIC undertakes that have nothing to do with financial planners, yet they are placing that cost on financial planners through his levy.

The FPA notes that "*Departments of State must conduct periodic reviews of all existing and potential charging activities within their portfolios at least every five years, in accordance with the published schedule of portfolio charging reviews or at other times agreed by the Finance Minister*"[14].

However, given the significant inequity of the ASIC industry levy, the FPA strongly recommends that the review of the ASIC industry levy be brought forward and conducted immediately to provide a more

[14] https://www.finance.gov.au/government/managing-commonwealth-resources/managing-money-property/managing-money/australian-government-charging-framework/portfolio-charging-reviews

equitable and predictable annual levy, and for the year-on-year increases to better reflect the capacity of the financial planning profession, before more financial planning practices are forced to close.

Insurance sector

Due to the definition of insurance product distributors in s70 of the ASIC Supervisory Cost Recovery Levy Regulations 2017, personal advice licensees continue to be charged an additional flat levy under this subsector if their AFS licence authorises them to deal in general insurance, life risk insurance products or investment life insurance products. This authorisation is required for financial planners to provide life risk advice to retail clients, which is subject to the financial advice obligations in the Corporations Act and legally obliges them to act on behalf of the client, not the insurer.

The ASIC regulatory activity that relates to the personal advice to retail clients on life insurance products includes the review of the Life Risk Framework (LIF) and is clearly covered under the appropriate financial advice subsector as detailed in the consultation CRIS.

The consultation CRIS states that the insurance sector consists of AFS licensees, including life and general insurance product providers, insurance product distributors (such as insurance brokers and AFS licensees who distribute products on behalf of an insurer), and risk management product providers (paragraph 335).

Financial advisers act on behalf of the client, not the insurer, and are not involved in any of the regulatory activity detailed in Table 69: Focus areas in the insurance sector (2020–21) of the consultation CRIS.

Focus area	Description
Claims handling	• Monitoring claims processes and outcomes in the general and life insurance sectors to ensure consumers are not unfairly disadvantaged due to the effects of the COVID-19 pandemic. • Engaging with industry about COVID-19 related claims, and collecting data where appropriate. • Using our regulatory tools, including enforcement action, to deter claims-handling related misconduct and ensure insurance claims are processed with utmost good faith.
Mis-selling	• Analysing the risk of inappropriate product design and distribution in the current environment by monitoring: – the design and sale of poor value insurance products; – the use of potentially unfair contract terms; – the distribution practices that may lead to poor outcomes for consumers and may breach the law; and – the mis-selling of unsuitable insurance products. • Taking swift action to deter misconduct and punish breaches of the law.
Hardship assistance	Engaging with industry to set expectations on providing flexibility for consumers experiencing financial hardship. Our aim is to ensure that consumers can retain insurance that protects their key assets during a period of increased vulnerability.
Governance	Preparing for the implementation of the Financial Accountability Regime and co-regulation of the regime with APRA.

Small business insurance cover	Working with AFCA, APRA, general insurers and other stakeholders to help: • clarify business interruption policy cover for small businesses with COVID-19 related losses; • maintain, facilitate and improve the performance of the general insurance market.
Financial Services Royal Commission recommendations	Continuing to progress the implementation of Financial Services Royal Commission recommendations, including those relating to: • deferred sales model for add-on insurance, by consulting on guidance; • removal of claims handling exemption. We will issue a new information sheet on how to apply for or vary an AFS license to cover claims handling and settlement; and • hawking of insurance. We will consult on changes to Regulatory Guide 38 *The hawking prohibitions* (RG 38) as a result of the expansion of the hawking prohibition to superannuation and insurance products.
Natural disaster working group	Monitoring insurers' responses (e.g. claims handling and claims outcomes) to recent natural disasters, including severe bushfires, storms and hailstorms affecting parts of Australia.
Total and permanent disability (TPD) insurance	Reporting on insurers' responses to Report 633 *Holes in the safety net: A review of TPD insurance claims* (REP 633).
Review of unfair contract terms in insurance	• Reviewing potential unfair contracts terms in general and life insurance contracts. • Updating Information Sheet 210 *Unfair contract term protections for consumers* (INFO 210) and Information Sheet 211 *Unfair contract term protections for small businesses* (INFO 211). • Holding industry roundtables and ongoing liaison to establish our expectations with industry, monitor progress and promote compliance.
Life insurance claims data collection	• Continuing to work with APRA to collect six-monthly life insurance claims data and update ASIC's Moneysmart life insurance claims comparison tool. • Analysing the data to inform our regulatory activities in the life insurance sector.

As financial advisers act on behalf of the client, not the insurer, the Parliament amended the Corporations Act to exempt advisers from the claims handling obligations in the law.

Financial advisers are not involved with the regulatory activity of this subsector. Therefore their continue inclusion is not in line with the Australian Government Charging Framework.

This is a fundamental flaw in licensing system and the ASIC funding model.

FPA recommendation

The FPA recommends s70 of the ASIC Supervisory Cost Recovery Levy Regulations 2017 be retrospectively amended to specifically exclude the provision of personal advice to retail clients on relevant financial products from the definition of the insurance product distributors.

Future operation of single disciplinary body

The Cost Recovery Levy Regulations prescribe that certain amounts are not part of ASIC's regulatory costs and therefore will not be recovered under the industry funding regime, including the costs of operating the committees convened on an ad-hoc basis to consider disciplinary matters relating to registered liquidators (registered liquidators disciplinary committees).

The FPA considers a similar approach should be adopted for Financial Services and Credit Panels convened to consider disciplinary matters relating to registered relevant providers following the establishment of the new single disciplinary body for financial advisers within ASIC.

The FPA would welcome the opportunity to provide input into discussion of possible funding options of the single disciplinary body.