

Question on notice no. 67

Portfolio question number: AET067

Additional estimates

Economics Committee, Treasury Portfolio

Senator Susan McDonald: asked the Australian Securities and Investments Commission on 25 February 2022—

(1. The first financial adviser exam deadline for all advisers, who had not attempted the exam at least twice by the end of last year, was 1 January 2022.

a. What is the number of advisers on the Financial Adviser Register after that deadline, and how many advisers came off the Financial Adviser Register as a result of not passing before the exam deadline?

b. How many currently registered financial advisers qualified for the extension to 30 September 2022 to complete the exam, as a result of having attempted the exam at least twice by the end of 2021?

2. Do you have a view on what might happen to adviser numbers in the next few years?

3. Presumably the Financial Adviser Register records the age of each financial adviser. It would be good to have a grasp of the demographics of the adviser population, in the context of the large loss of advisers. Can you please advise how many financial advisers are:

- a. 65 years or older.
- b. 55 years to 64 years.
- c. 40 years to 54 years.
- d. Less than 40 years.

Answer —

Please see attachment.

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Additional Estimates 2021 - 2022

Agency: Australian Securities and Investment Commission
Question No: AET067
Topic: FAR adviser numbers
Reference: Written (25 February 2022)
Senator: Susan McDonald

Question:

1. The first financial adviser exam deadline for all advisers, who had not attempted the exam at least twice by the end of last year, was 1 January 2022.

a. What is the number of advisers on the Financial Adviser Register after that deadline, and how many advisers came off the Financial Adviser Register as a result of not passing before the exam deadline?

b. How many currently registered financial advisers qualified for the extension to 30 September 2022 to complete the exam, as a result of having attempted the exam at least twice by the end of 2021?

2. Do you have a view on what might happen to adviser numbers in the next few years?

3. Presumably the Financial Adviser Register records the age of each financial adviser. It would be good to have a grasp of the demographics of the adviser population, in the context of the large loss of advisers. Can you please advise how many financial advisers are:

- a. 65 years or older.
- b. 55 years to 64 years.
- c. 40 years to 54 years.
- d. Less than 40 years.

Answer:

Please note that, unless otherwise stated, ASIC has relied on data available as at 24 February 2022 in preparing its responses to each of the following questions.

1a. As at 1 January 2022, there were 17,563 financial advisers listed as ‘current’ on the Financial Adviser Register (the FAR).

Based on information available to ASIC from the FAR, and from information provided by ACER to ASIC in the course of administering the financial adviser exam, between 1 January and 24 February 2022 the status of 130 financial advisers was updated to ‘ceased’ as a result of having not passed the financial adviser exam (the exam) by 1 January 2022.

The FAR does not update automatically when a financial adviser passes or fails the exam. Australian financial services (AFS) licensees are required under the *Corporations Act 2001* (the Act) to notify ASIC of changes in relation to the financial advisers they authorise, including where the adviser has ceased to be a financial adviser, within 30 business days of those changes occurring. The FAR is then updated using the information provided by the AFS Licensee.

b. Based on information available to ASIC from the FAR, and the information provided by ACER to ASIC in the course of administering the financial adviser exam, 882 advisers qualified for the extension to 1 October 2022 as a result of having attempted the exam at least twice before 1 January 2022 (the extension).

2. Over 2022, ASIC expects that the number of financial advisers on the FAR will fall. This is because, by either 1 January 2022 or 1 October 2022 for advisers who qualified for the extension, all financial advisers who are ‘current’ on the FAR must have passed the exam. Any adviser who has not passed the exam by the relevant date must be ‘ceased’ on the FAR from that date.

As stated above in question 1a, AFS licensees are required under the Act to notify ASIC of changes in relation to the financial advisers they authorise and the FAR is then updated using the information provided by the AFS Licensee.

To ensure that information on the FAR is correct, ASIC is currently conducting a review of the FAR to check that AFS licensees have made the notifications required under the Act in relation to financial advisers they authorise, and who had not passed the exam by 1 January 2022 and are not eligible for the extension (see question 1(a)). These advisers should now be ‘ceased’ on FAR. As a result of this review, ASIC expects that additional advisers will become ‘ceased’ on the FAR, thereby reducing the total number of ‘current’ financial advisers on the FAR.

ASIC will conduct a similar review after 1 October 2022 to identify any advisers who were eligible for the extension but have not completed the financial adviser exam (see question 1(b)). Any advisers who have not passed the exam by 1 October 2022 will need to be shown as ‘ceased’ on FAR within 30 business days of 1 October 2022, which will further reduce the total number of ‘current’ financial advisers on the FAR.

It is difficult for ASIC to predict the likely movement in financial adviser numbers beyond 2022. However, based on historical data, ASIC notes that, since 2019, on average around 284 new financial advisers are added to the FAR each year.

There may be further changes to the total number of financial advisers on the FAR in response to the requirements introduced into the Act by the *Financial Sector Reform (Hayne Royal Commission Response—Better Advice) Act 2021* that:

- all financial advisers be registered with ASIC by 1 January 2023; and
- certain financial advisers have completed a bachelor or higher degree, or equivalent qualification approved by the Minister by 1 January 2026.

3. At 24 February 2022, the demographic of financial advisers listed as ‘current’ on the FAR is:

- a. 65 years or older – 986 advisers
- b. 55 years to 64 years – 3,075 advisers
- c. 40 years to 54 years – 8,328 advisers
- d. Less than 40 years – 4,980 advisers.

In addition, 123 advisers listed as ‘current’ on FAR had invalid birthdate details, for example, because they had no details recorded. We intend to write to the relevant licensees to ensure they correct the birthdate details.