FSC White Paper on the Future of Advice Licensing

2026

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CEO Foreword

Access to quality financial advice has never been more important.

From the more than two million Australians expected to transition into retirement in the next decade, to the nearly half of Gen Z and Millennials that are already investing in shares, ETFs, or other investment products, more Australians than ever before are navigating complex financial decisions. A strong and trusted advice profession is therefore essential to Australia's financial future.

Over the past decade, the financial advice sector has undergone significant reform. Higher education standards, a strengthened professional framework and enhanced consumer protections have fundamentally reshaped the profession. At the same time, the Australian Financial Services Licence (AFSL) framework has continued to provide a clear accountability model under which licensees are responsible for the conduct of the financial services provided under their licence.

In an otherwise changed advice market, the Financial Services Council set out to test whether the AFSL framework remains fit for purpose.

It was this question which prompted the FSC to release our Green Paper on the Future of Advice Licensing in July 2025. Rather than beginning with predetermined conclusions, the Green Paper deliberately tested a broad range of structural reform options to encourage an open discussion about the future of advice regulation: tiered licensing, practising certificates and other alternative licensing models all featured.

The consultation that followed was extensive. The FSC received submissions from and conducted interviews with advice licensees, financial advisers, consumer representatives, professional associations, academics and other stakeholders across the advice ecosystem. While views differed on individual reforms, one conclusion emerged consistently:

"Australia does not need to replace its advice licensing framework. Instead, it needs to supervise it more effectively."

Recent failures within the financial system have reinforced an important lesson: vulnerabilities have emerged where breaches of existing obligations were not identified and addressed early enough to prevent consumer harm.

For the financial advice ecosystem, the issue has not primarily been an absence of regulatory powers. This White Paper therefore represents an important shift in the policy discussion; rather than proposing a major redesign of the licensing architecture, it focuses on how industry and the government should work together to ensure the existing framework operates as intended.

The 19 recommendations contained in this paper seek to modernise ASIC's supervision of advice licensees through more proactive regulatory engagement, stronger regulatory intelligence, earlier intervention where risks emerge and greater transparency across the licensing framework. They also recognise that effective supervision requires sustainable funding, recommending a comprehensive redesign of ASIC's financial advice levy to better support ongoing supervision.

Collectively, these recommendations are intended to strengthen confidence in the advice licensing framework, improve consumer outcomes and support a more resilient advice profession.

The White Paper does not seek to impose unnecessary regulatory burden on the thousands of advice businesses that consistently meet their obligations. Instead, this paper proposes a supervisory approach that focuses regulatory attention where it is most needed, while maintaining a meaningful minimum level of engagement with every advice licensee.

I would like to thank the FSC members and the many others who contributed submissions, participated in interviews and shared their expertise throughout this process. Your engagement has materially strengthened this paper and helped shape recommendations that are evidence-based and grounded in the realities of the advice profession.

We call on the Government to work collaboratively with ASIC and industry to implement these recommendations.

Blake Briggs
Chief Executive Officer

Recommendations

Section 1: Retain and Strengthen the AFSL Framework

- **Recommendation 1:** Government should retain the AFSL framework as the central architecture for advice licensing.

- **Recommendation 2:** Advice licensing reform should focus on strengthening the existing framework, rather than creating tiered licence classes or implementing a practising certificate model as floated in the Green Paper.

Section 2: Implement a Minimum Standard of Universal Supervision

- **Recommendation 3:** ASIC should expand its existing advice licensing function into an ongoing supervisory relationship with every advice AFSL. Each licensee should be subject to an annual licence renewal and an additional supervisory review (totalling biannual engagement) that each test whether the representations, governance arrangements, resources and operating model on which its licence was granted remain current and compliant.

- **Recommendation 4:** As part of the annual licence renewal, ASIC should directly meet with every advice licensee and undertake a proportionate review of material year-on-year changes since the previous renewal, including changes to ownership, governance, responsible managers, adviser population, authorisations, business model, client acquisition channels, product exposure, complaints, reportable situations, professional indemnity insurance and operational resilience. The additional supervisory review should test for significant changes arising between annual renewals.

- **Recommendation 5:** ASIC should apply enhanced scrutiny at licence application and when a licensee seeks to expand the scope of its authorisations or materially change its business model, with structured post-authorisation supervision during the first two years of operation.

Section 3: Support More Intensive Supervision and Engagement with Higher-Risk Entities

- **Recommendation 6:** ASIC should establish a separate enhanced risk-based supervision function for advice AFSLs. Where the universal licensing and renewal process, regulatory intelligence or other surveillance identifies elevated risk, the matter should be escalated from the licensing function to a dedicated 'enhanced risk supervision' team for more intensive engagement.

- **Recommendation 7:** The Government should consult on, publish and periodically review a supervisory framework setting out objective indicators that may trigger enhanced ASIC risk supervision.

- **Recommendation 8:** Licensees subject to enhanced risk supervision should be required to provide ASIC with a richer set of business-model and governance information, required to privately disclose material client acquisition channels, external lead-generation arrangements, referral relationships and related-party product distribution arrangements, and be subject to targeted information requests, file sampling, governance testing, and clear escalation pathways to enforcement actions where breaches are identified.

- **Recommendation 9:** ASIC should establish a formal internal intelligence and risk triage framework that integrates information across existing regulatory data sources, including proactive surveillance and enforcement, licence variation and cancellation history, reportable situations under section 912D, AFCA systemic issue referrals and complaint trends, FAR adviser movement history, FSCP disciplinary outcomes, and professional indemnity insurance attestations or notifications, to identify connected patterns of misconduct and emerging consumer risk earlier.

- **Recommendation 10:** After implementation of Recommendations 8-9, government should consult on whether additional structured data feeds would materially improve early identification of consumer harm.

Section 4: Recalibrate the ASIC Levy

- **Recommendation 11:** Treasury should recalibrate the industry funding model for financial advice to fund the supervisory uplift proposed in this paper. The fixed licence-level component should increase materially and the variable per-adviser component should reduce, better aligning levy incidence with risk. Two options are proposed in this paper (Pages 24-27).

Section 5: Capital Requirements

- **Recommendation 12:** Government should not introduce broad minimum capital requirements for advice AFSLs as the primary policy response to recent failures. Financial and operational resilience should instead be actively tested through the universal and enhanced supervisory frameworks proposed in this paper.

Section 6: Expand and Modernise the Financial Advisers Register

- **Recommendation 13:** The Moneysmart Financial Advisers Register interface should be upgraded so users can search an AFSL and see, in one place, an enhanced licensee view of the register. This should include all advisers operating under that licence, corporate authorised representatives where applicable, and trading names ultimately associated with the licence.

- **Recommendation 14:** The Government should consult on a mechanism to identify and disclose responsible managers and responsible persons connected to an advice AFSL on the FAR, including an individual view of these persons, displaying which AFSLs they are linked to and their historical associations.

- **Recommendation 15:** The Moneysmart FAR interface should be redesigned to ensure the consumer-facing display of adviser authorisations explains, in plain English, what the adviser can and cannot advise on.

Section 7: Professional Indemnity Insurance

- **Recommendation 16:** As part of the annual licence renewal, advice licensees should be required to provide ASIC with their current professional indemnity insurance policy. ASIC should review whether the licensee's PI arrangements remain adequate having regard to the nature, scale and complexity of its business, consistent with existing obligations under section 912B of the *Corporations Act* and RG 126.

- **Recommendation 17**: The Government and ASIC should review the minimum PI cover settings in RG 126, including increasing the maximum minimum cover limit from $20 million to approximately $30 million, or another CPI-adjusted figure determined through consultation, while retaining the requirement for automatic reinstatement and ensuring any uplift is subject to commercial availability in the PI market.

- **Recommendation 18:** As part of universal licensee supervision under Recommendation 3, ASIC should assess material changes to a licensee's professional indemnity arrangements, including policy cancellation, non-renewal, material reduction in insured limits, or substantive changes to exclusions, to improve visibility of deteriorating arrangements.

- **Recommendation 19:** Government should review the commercial availability and affordability of run-off cover for advice businesses after licence cessation, insolvency or cancellation, including whether the market has developed sufficiently to support a run-off cover requirement for all advice licensees.

Green Paper to White Paper: From Structural Reform to Supervision-Led Reform

The FSC Green Paper on the Value and Future of Advice Licensing began from a legitimate and timely question: whether the advice licensing framework continues to serve consumers in a market that looks very different from the market that existed when the Australian Financial Services Licence (AFSL) regime was created.

When the AFSL regime was introduced, the advice sector was more closely associated with a smaller number of large, vertically integrated institutions. Today, the market is more diverse. It includes large licensee groups, self-licensed advice businesses, corporate authorised representative networks, salaried advice models, superannuation fund advice models, digital and hybrid advice models, and a growing ecosystem of third-party compliance, technology, research and client acquisition providers.

The Green Paper identified several pressures on the existing framework: adviser attrition, the growth of micro-licensees, increasing reliance on third-party compliance infrastructure, professional indemnity insurance concerns, growing interest in capital adequacy requirements, phoenixing risks, and the introduction of the Compensation Scheme of Last Resort (CSLR).

It tested whether these pressures warranted more substantial structural change to the advice licensing framework, including tiered licensing, a practising certificate model, a new adviser skills and performance registry, stronger financial resource requirements and more active oversight of professional indemnity insurance.

The consultation process shifted the policy landing point. Across the feedback received, there was limited support for dismantling or fragmenting the AFSL framework. The stronger and more consistent view was that the existing framework remains capable of working, but that it must be complemented by supervisory practices that are consistent and of sufficient intensity to manage the risk across the system. This needs appropriate resourcing.

The AFSL framework has a valuable feature that should not be lost: clear accountability. A licensee is responsible for the financial services provided under its licence, including the conduct of representatives. That responsibility cannot be outsourced to a compliance consultant, platform, research house, professional body or third-party service provider. It can be supported by those parties, but the accountability structure is deliberately anchored in the licence.

The central challenge is therefore arrived at in this White Paper: not to replace that clear structure, but to ensure that ASIC has the visibility, resources and supervisory operating model to test whether licensees are capable of meeting their obligations in practice.

This White Paper therefore reframes the reform debate by moving away from tiered licensing and toward an enhanced supervisory model; away from individual practising certificates and toward better use of existing licensing, registration, banning, and register settings; away from broad capital adequacy as a blunt instrument and toward an uplift of ASIC's funding model to supervise risk more effectively; away from creating new registers and toward making the Financial Advisers Register (FAR) and ASIC's existing register infrastructure more useful; and away from assuming professional indemnity insurance can absorb catastrophic losses and toward making PI insurance a more credible, actively monitored consumer protection layer.

This approach is deliberately practical. It does not require a new licensing architecture, but it does require ASIC to have better information, better funding and clearer expectations. It also requires industry to accept that the privilege of holding an AFSL should carry a meaningful annual cost and a serious supervisory relationship, while policymakers should avoid reforms that create the appearance of protection without changing the risk incentives that matter.

The Green Paper performed its function by testing reform options, generating evidence and identifying where industry consensus exists. This White Paper reflects that feedback by pivoting toward a supervision-led reform agenda that strengthens the existing framework rather than replacing it.

Section 1: Retain and Strengthen the AFSL Framework

1.1 The Green Paper Tested Structural Change

The Green Paper asked whether the licensing framework should be recalibrated to better reflect firm diversity. It canvassed a tiered licensing framework that would modify licensee obligations based on the size, risk profile and service scope of an entity. It also asked whether regulatory relief should be available for licensees with demonstrated governance and compliance maturity, and whether third-party compliance providers should be subject to an accreditation framework.

Those questions were appropriate to test because the advice licensing market has changed materially. Since 2020, the Green Paper identified significant growth in micro-licensees with fewer than 10 advisers (more than 450 new licensees), alongside increased reliance on third-party compliance providers, changing business models and uneven capacity across the sector. These changes raised a legitimate question as to whether a one-size-fits-all licensing framework remains appropriate.

However, consultation feedback made clear that formal tiered licensing is not the right reform response.

Industry participants accepted that the advice market is diverse, but generally did not support fragmenting the AFSL regime into statutory licence tiers. Across the feedback, stakeholders emphasised that the AFSL framework remains fundamentally sound, that the current licensing model provides clear consumer protection benefits through licensee accountability and supervision, and that the regime was designed to provide a single, flexible licensing framework across different financial services activities. Rather than introducing prescriptive new tiers, consultation feedback pointed toward better supervision and enforcement of the framework already in place.

This feedback did not deny the existence of risk, but rejected the proposition that risk is best addressed by creating new licence classes; the problem “would merely be technically shifted.”

1.2 Licensees Should Remain as Risk Managers

The AFSL framework clearly allocates risk management responsibility to the licensee. Advice licensees are responsible for the financial services provided under their licence. They are responsible for supervising representatives, maintaining competence, managing conflicts, complying with financial services laws, ensuring adequate resources, operating dispute resolution arrangements and maintaining compensation arrangements.

This structure is central to the consumer protection function of the AFSL regime. ASIC cannot directly supervise every adviser, advice file and consumer interaction in the market, which means the system necessarily relies on licensees as the first line of governance and supervision. Licensees set the compliance framework, appoint responsible managers, determine authorisations, approve products and platforms, monitor representatives, review advice quality, manage complaints and remediation, and maintain PI insurance.

Consultation feedback strongly supported retaining this accountability structure. Even where stakeholders differed on levels of individual accountability, there was broad acceptance that licensees should remain the primary risk managers in the advice system. Feedback in favour of greater individual adviser accountability did not establish a compelling case that practising certificates would reduce misconduct more effectively than improving the existing AFSL model.

The White Paper therefore proceeds from a simple principle: the AFSL framework should be retained and strengthened.

1.3 Why Practising Certificates are Not Recommended

The Green Paper also tested whether Government and industry should consult on a practising certificate model. The policy rationale advanced by other professional bodies was that financial advice is now a profession, and that individual advisers should be more directly accountable for maintaining registration, Continuing Professional Development (CPD), ethical standards and professional standing.

There is a principled case for individual accountability, and financial advisers should indeed be accountable for their conduct. However, the current framework already imposes individual accountability through the best interests duty, the Code of Ethics, education standards, CPD requirements, the professional year, ASIC registration, disciplinary review from the Financial Services and Credit Panel, reference checking, banning powers and individual obligations under the Corporations Act.

Some professional bodies and other stakeholders supported a practising certificate model as the logical next step in professionalisation, and that feedback is acknowledged. However, consultation did not establish that a practising certificate would materially improve consumer protection relative to its cost and complexity. It was also not clear that a practising certificate model would materially mitigate the harm associated with deliberate misconduct, particularly where bad actors are already willing to disregard existing professional and legal obligations.

The risk is that a practising certificate model would duplicate existing registration and professional standards, while weakening the benefits of having a licensee's oversight and responsibility. If consumers receive advice under an AFSL, the licensee should remain responsible for the supervision, governance and compensation framework behind that advice. Introducing another layer of individual permission may create the appearance of stronger accountability, but without materially improving ASIC's ability to identify high-risk licensees, conflicted distribution models or systemic misconduct.

The White Paper therefore does not recommend a practising certificate model. Instead, it recommends strengthening individual accountability through existing mechanisms: better use of FAR history, improved visibility of responsible managers and key governance roles, stronger reference checking at licensing stage, more active supervision of adviser movement patterns, and clearer disclosure of the authorisation and supervision chain behind each adviser.

1.4 Licensee Size is Not the Only Indicator of Risk

A central reason for rejecting tiered licensing is that licensee size is not the only indicator of risk.

The Green Paper tested whether licensing obligations should be tailored to licensee size and service scope profile. It identified growth in micro-licensees and asked whether the licensing framework should better reflect the different operational realities of small, medium and large firms.

The consultation response was clear: size alone is not a reliable indicator of the probability of misconduct, governance failure or consumer detriment.

Large licensees may have more advisers and arguably therefore a larger potential scale of harm if something goes wrong. They may also have more complex distribution networks, more layered management structures and more dispersed authorised representative models. However, larger licensees typically have more mature governance frameworks, dedicated compliance teams, internal audit capability, product governance processes, breach reporting infrastructure, technology investment and extensive professional indemnity arrangements. Those features can significantly reduce risk.

Small licensees may have fewer advisers and closer day-to-day oversight. In some cases, a small principal-led licensee may have direct visibility of every advice file, client relationship and business decision. That can be a strength. However, smaller licensees may also have fewer internal controls, limited compliance capacity, weaker financial resilience, heavier reliance on external providers, less sophisticated cyber and operational systems, and less experience managing complaints, remediation or regulatory engagement.

The Green Paper itself recognised that revenue and adviser numbers are simplistic measures. It noted that risk may be driven by the products on a licensee's approved product list, the qualifications and experience of personnel, whether a licensee operates as a "licensee for hire", and whether the licensee has limited oversight of third-party advisers.

Consultation reinforced this point, with feedback emphasising that firm size is not an accurate proxy for risk, that smaller licensees may have better visibility of advisers but may also struggle to keep pace with compliance change, and that recent market failures should not be interpreted as problems best correlated with advice licensee size given the broader product, lead generation and distribution context.

A tiered licensing model built primarily around size would therefore misallocate regulatory burden. It could impose additional obligations on larger licensees because they are visible, while failing to identify smaller or newer licensees (e.g. 'phoenixing' firms) with higher conduct risk. It could also create arbitrary thresholds that invite gaming, with firms structuring around licence categories rather than investing in better governance.

The better model is not tiered licensing. It is enhanced supervision and enforcement within the existing AFSL framework.

Recommendation 1: Government should retain the AFSL framework as the central architecture for advice licensing.

Recommendation 2: Advice licensing reform should focus on strengthening the existing framework, rather than creating tiered licence classes or implementing a practising certificate model as floated in the Green Paper.

Section 2: Implement a Minimum Standard of Universal Supervision

2.1 The Framework is Fit for Purpose, But Not Sufficiently Supervised and Enforced

The existing regulatory framework imposes substantial obligations on advice licensees to implement strong governance and compliance processes. ASIC's Regulatory Guide 104 explains the general obligations of AFS licensees under section 912A of the Corporations Act 2001, including the obligation to do all things necessary to ensure that financial services are provided efficiently, honestly and fairly; to comply with licence conditions and financial services laws; to have adequate resources; to maintain competence; to manage conflicts; and to supervise representatives.

For advice licensees, these obligations sit alongside professional standards for relevant providers, breach reporting, internal and external dispute resolution, compensation arrangements, professional indemnity insurance, reference checking, ASIC registration, the FAR and the Financial Services and Credit Panel.

The problem is not the absence of obligations, but that obligations are only effective if they are monitored and met.

Consultation feedback repeatedly identified concerns that ASIC does not currently have sufficient supervisory capacity to test whether licensees are meeting their obligations across the full advice market. Industry participants described a regulatory model that is reactive and data-fragmented, with ASIC able to act decisively after misconduct crystallises, but less consistently able to intervene "when warning signs emerge".

Consultation feedback included examples of advisers removed from a licensee for compliance or conflict concerns later obtaining a licence elsewhere (one of the examples of the practice known as 'phoenixing'). Interviewees also raised concerns about licensees or advisers with links to property development, irreputable marketing businesses, lead generation arrangements or higher-risk product distribution not being subjected to sufficiently intensive scrutiny at entry.

ASIC's existing licensing role provides the natural foundation for a universal supervisory standard. ASIC already decides whether an applicant has the competence, resources, systems and people required to hold an AFSL. Yet once a licence is granted, there is no universal process that continues to assess those matters. The relationship is too often effectively "set and forget".

Despite this, the advice licensing framework already generates a substantial volume of supervisory intelligence.

ASIC already receives substantial information about advice licensees and advisers. The reportable situations regime provides information on significant compliance failures and misconduct, while the FAR shows adviser authorisations and movements between licensees. AFCA data can reveal complaint patterns, and licence applications and variations provide information about organisational management, responsible managers, and authorisations. ASIC can also assess PI requirements and, where concerns arise, use its compulsory powers to obtain further information.

Individually, these indicators may appear benign. But when these indicators converge around the same product, adviser cohort, client acquisition model, distribution channel or licensee network, they can form a strong supervisory signal that consumer harm may be emerging.

2.2 Shield and First Guardian Illustrate the Supervisory Gap

The events surrounding Shield and First Guardian illustrates the consequences of failure. Those matters should be approached carefully, as final liability and responsibility remain under consideration by courts and other bodies. However, public commentary clearly indicates the pattern involved significant funds flowing into high-risk managed investment products, superannuation switching, lead generation and telemarketing, concentrated product distribution through adviser networks, and significant upfront advice fees and marketing payments across the broader distribution chain. These are precisely the kinds of risk markers that should be capable of early identification within an enhanced supervisory model.

ASIC may not receive all of this information in real time, or in a consolidated form, or indeed presently at all. However, much of the relevant intelligence already exists within the regulatory system or can be obtained using ASIC's existing powers. Through reportable situations, adviser registration data, complaints data, licensing applications and surveillance activity, ASIC already receives important signals about emerging risk. Where those signals justify further scrutiny, ASIC has extensive compulsory information-gathering powers under the Corporations Act and ASIC Act to obtain documents and information from licensees and other relevant entities.

Where those signals are supplemented by intelligence from other parts of the financial services ecosystem, including platforms, trustees, product issuers or other market participants identifying unusual product inflows, concentrated adviser activity or emerging distribution concerns, ASIC should be resourced to respond quickly. This requires a supervisory model that can act on credible intelligence when it emerges, and use existing powers to obtain further information about the conduct before consumer harm becomes systemic.

Licensees themselves hold records of advice fee arrangements, referral agreements, lead generation contracts, approved product list decisions and compliance reviews. Product issuers and other regulated entities may also hold information relevant to distribution patterns and product concentration where ASIC has reason to inquire. The challenge is not necessarily the absence of data, but the absence of a sufficiently integrated supervisory model that can connect these signals and quickly escalate them before consumer losses crystallise.

The lesson from Shield and First Guardian for the advice licensing debate is therefore not simply that ASIC needs more powers. It is that ASIC needs the resourcing, data capability and supervisory architecture to connect warning signals across the advice ecosystem and intervene earlier where emerging risk patterns are reported or identified.

2.3 Every Licensee Should Be Subject to Regular Supervisory Engagement

The FSC proposes two formal supervisory touchpoints each year: an annual licence renewal and an additional supervisory review. Both should test whether the representations, governance arrangements, resources and operating model supporting the licence remain current and compliant.

The annual renewal should be the principal supervisory checkpoint. It should require the licensee to confirm the continuing accuracy of core information and identify material changes since the previous renewal. The additional supervisory review, approximately six months later, should provide a second point of direct engagement and allow ASIC to test whether new issues have emerged between engagements.

These engagements should be structured, forward-looking supervisory discussions. Their purpose should not be to duplicate audits or comprehensively reassess every aspect of a licensee's operations. Rather, they should maintain ASIC's visibility over the licensee and test whether there have been material changes to its governance arrangements, responsible managers, adviser population, business model, product exposure, client acquisition channels, complaints, reportable situations, professional indemnity insurance, operational resilience or other factors that may inform potential risks.

Consultation feedback showed strong support for ASIC becoming more proactive, including through regular supervisory meetings with every licensee.

Some stakeholders proposed quarterly engagement, while others considered annual engagement sufficient.

The FSC considers that quarterly engagement with every advice licensee would be burdensome as a minimum universal standard. While that frequency may be appropriate for licensees subject to enhanced risk supervision, applying it uniformly across the sector would impose substantial regulatory burden on stable and well-governed businesses. It would also risk diverting ASIC resources into repetitive engagement where little has changed.

Advice businesses also tend to operate around longer compliance and business cycles. In many stable businesses, meaningful changes to governance, adviser composition, product settings or financial resilience are unlikely to emerge every three months.

By contrast, annual engagement alone may risk leaving supervisory gaps that are too long. Adviser populations can change rapidly; alternatively, a business may obtain new client acquisition channels, develop concentrations in particular products, expand into new advice areas or experience deteriorating complaint, remediation or professional indemnity arrangements within a 3-6-month period. A full year between formal engagements may allow concerning patterns to develop without sufficient regulatory visibility, particularly where individual signals do not yet warrant escalation to enhanced supervision or any formal enforcement.

A biannual model therefore provides a proportionate minimum. Six-month intervals are frequent enough to identify meaningful shifts before they become entrenched, while avoiding unnecessary duplication of compliance activity. The model also creates a regular supervisory rhythm: the annual renewal provides the principal opportunity to confirm the basis on which the licence continues to be held, while the additional supervisory review provides an interim opportunity to test what has changed.

Importantly, biannual engagement should operate as a minimum baseline rather than a fixed ceiling. Every advice licensee would remain within the universal supervisory perimeter, but licensees presenting elevated risk would be escalated to the enhanced risk supervision framework outlined in Section 3. Those entities should expect more frequent and intensive engagement where their business model, product exposure, adviser movements, client acquisition practices, complaint patterns or other risk indicators justify it.

Each engagement should be supported by proportionate information requests and an agenda provided in advance. For a stable licensee, the discussion may focus on changes to governance, responsible managers, adviser population, PI arrangements, complaints, reportable situations and operational resilience. The objective is not to impose the same depth of review on every business, but to ensure that every licensee remains visible to ASIC and that material change is identified early.

This universal model should also create a clear pathway into enhanced supervision. Where an engagement identifies elevated risk, the matter should be escalated to the separate enhanced risk supervision function proposed in Section 3. This division of labour allows routine supervisory engagement to remain distinct from more intensive risk supervision and enforcement, while ensuring that concerns identified through the universal process do not remain within it.

Recommendation 3: ASIC should expand its existing advice licensing function into an ongoing supervisory relationship with every advice AFSL. Each licensee should be subject to an annual licence renewal and an additional supervisory review (totalling biannual engagement) that each test whether the representations, governance arrangements, resources and operating model on which its licence was granted remain current and compliant.

2.4 Annual Licence Renewal Should Test Whether the Licence Remains Current

The central purpose of the annual licence renewal should be to test whether the licensee continues to operate consistently with the business ASIC originally licensed and, where it does not, understand what has changed before the licence is renewed.

At the point of initial authorisation, ASIC assesses the proposed business on the basis of its ownership and control, governance arrangements, responsible managers, authorisations, resources and operating model. The annual renewal should return to that original licensing baseline (and subsequently that of the year prior) and test whether the arrangements on which the licence was granted remain current and compliant.

The licensee should confirm which core features of the business remain unchanged and identify material changes since the previous renewal. These may include changes to ownership and control, governance, directors and responsible managers, adviser numbers and movement, authorisations, business model, client acquisition and lead-generation channels, referral relationships, product exposure and concentration, complaints and remediation, reportable situations, professional indemnity arrangements, outsourced compliance and critical technology providers, and operational resilience.

The significance of any changes will depend on their nature and context. A stable licensee that continues to operate consistently with its licensing baseline should face a lighter renewal process than a business that has changed ownership, expanded rapidly, entered new product areas or adopted new distribution channels. The purpose is not to reassess every feature of every advice business from first principles each year, but rather to ensure that ASIC maintains an accurate understanding of the business operating under the licence and can identify where changes, if any, warrant further inquiry.

Each renewal should include direct engagement with the licensee: a discussion that involves the licensee's existing information and any changes identified since the last renewal. Where the business remains materially consistent with its licensing baseline, the process should be brief. If significant changes or concerns are identified, ASIC should be able to examine those matters more closely and, where appropriate, escalate the licensee into enhanced risk supervision under Section 3 of this paper.

Recommendation 4: As part of the annual licence renewal, ASIC should directly meet with every advice licensee and undertake a proportionate review of material year-on-year changes since the previous renewal, including changes to ownership, governance, responsible managers, adviser population, authorisations, business model, client acquisition channels, product exposure, complaints, reportable situations, professional indemnity insurance and operational resilience. The additional supervisory review should test for significant changes arising between annual renewals.

2.5 Phoenixing Risk Should Be Addressed at Entry and Early Operation

The effective operation of recommendation 4 requires a thorough assessment of the licensee before their first renewal period. The point at which a licence is granted or materially expanded in operation is particularly important because it provides ASIC with the best opportunity to identify weak governance, adverse history or conflicted business models before consumer harm becomes entrenched.

The Green Paper identified phoenixing as a key risk: advisers or key persons with poor compliance histories may leave one entity and re-emerge under another, including through a new AFSL or a different licensee structure. Consultation feedback strongly reinforced this concern. Stakeholders raised examples of advisers removed or reported for compliance and conflict concerns later obtaining a licence elsewhere, emphasised the importance of ASIC reference checking where advisers seek to become self-licensed, and argued that phoenixing risk is exacerbated where due diligence at licence approval is insufficient.

The licensing process is therefore a critical point of regulatory intervention. At application stage, ASIC presently assesses organisational competence and proposed systems largely on the basis of representations and nominated personnel. ASIC should therefore scrutinise licence applications more closely. This may by review of factors including:

- Directors, responsible managers or other key persons with prior associations with cancelled, failed or non-compliant licences;
- Advisers with repeated movement following compliance concerns;
- Links to property development, unlisted or illiquid products, related-party products or other higher-risk distribution arrangements;
- Significant reliance on lead generators or third-party client acquisition;
- Compliance resourcing that appears insufficient relative to proposed adviser numbers or business complexity;
- Ambitious growth plans without credible governance infrastructure; or
- Narrow PI cover or difficulty demonstrating adequate compensation arrangements.

These factors should not operate as automatic barriers to obtaining a licence. Prior association with a failed business, use of external lead generation or involvement with complex products does not, of itself, establish misconduct or unfitness. Rather, these factors should prompt ASIC to undertake deeper due diligence before determining whether the applicant has the competence and controls necessary to operate the proposed licence.

The same principle should apply when an existing licensee seeks to expand the scope of its authorisations or materially change its business model. Although licence variation is the relevant technical concept under the AFSL framework, the policy issue is broader. A licensee’s risk profile can change materially when it moves into new advice areas or product classes, introduces new distribution arrangements, begins relying heavily on external lead generation, or significantly expands its adviser population.

At these expansion points, ASIC should reassess whether the licensee has the competence, resources, governance and controls required to manage the expanded business. The fact that a business has previously demonstrated its capacity to operate one advice model should not create an assumption that it is equally equipped to operate a materially different one.

The first two years after authorisation are also critical. This is the first period in which the governance systems and compliance capability presented at application are tested in practice.

Policies and proposed controls must be tested against actual adviser conduct, client acquisition practices, product recommendations, breach identification, and complaint handling, as examples.

Commercial pressures may also be particularly acute during the early growth phase.

A well-governed new entrant should be able to demonstrate that the systems and resources presented at application are operating effectively in practice, as indicated during their initial licence application.

New licensees should therefore be subject to structured post-authorisation supervision during their first two years of operation. This should not involve any presumption that new entrants are inherently higher-risk or should be subject to enforcement-style scrutiny. Rather, it should provide ASIC with a practical window to test whether the governance and compliance framework on which the licence was granted is functioning as represented before weaknesses become entrenched.

Where that engagement identifies objective indicators of elevated risk, the licensee could be escalated separately to enhanced risk supervision, as discussed in Section 3.

Recommendation 5: ASIC should apply enhanced scrutiny at licence application and when a licensee seeks to expand the scope of its authorisations or materially change its business model, with structured post-authorisation supervision during the first two years of operation.

Section 3: Support More Intensive Supervision and Engagement with Higher-Risk Entities

3.1 Two Components: Universal Supervision and Enhanced Risk-Based Supervision

Universal supervision is only the first component of the model. Some licensees will present indicators that justify deeper, more frequent and more intensive engagement. The second component should therefore be a separate enhanced risk-based supervision function.

The ASIC function responsible for licensing should own the universal relationship outlined in Section 2: entry, annual renewal, ongoing supervisory review, and testing whether the licence continues to be supported by current representations, governance and resources. Where that process identifies elevated risk, the matter should be escalated to a separate, dedicated enhanced risk supervision team.

This team should have the capability to undertake deeper surveillance, seek more detailed information, test governance and advice practices and, where breaches are identified, escalate matters toward enforcement action.

The White Paper does not prescribe ASIC's internal organisational chart. The policy principle is functional separation. Routine universal supervision should be capable of identifying and escalating concerns without becoming any form of prospective enforcement encounter. Equally, serious concerns should not remain within a routine renewal process when they require specialists who understand risk.

The enhanced risk supervision team should also be able to receive matters from sources outside the licensing process too. This will be discussed below.

Recommendation 6: ASIC should establish a separate enhanced risk-based supervision function for advice AFSLs. Where the universal licensing and renewal process, regulatory intelligence or other surveillance identifies elevated risk, the matter should be escalated from the licensing function to a dedicated ‘enhanced risk supervision’ team for more intensive engagement.

3.2 Objective Risk Indicators Should Trigger Enhanced Supervision

A model which escalates certain licensees to further review depends on ASIC being able to identify which entities require greater supervisory intensity. The Government should consult on the design of objective risk indicators, and the resulting framework should be published and periodically reviewed.

As discussed earlier in this paper, risk is not necessarily correlated with adviser numbers or licensee size. Larger licensees may have the potential to create harm at scale but often have more mature governance and compliance capability. Smaller licensees may benefit from close principal oversight but may also have fewer internal controls or weaker financial resilience. The framework should therefore focus on characteristics that more directly affect the probability or potential severity of consumer harm.

Relevant risk indicators identified during surveillance could include:

- Product complexity, including authorisations involving SMSFs, derivatives or illiquid products;
- Material concentration in a small number of products or strategies;
- Related-party product distribution or in-house product arrangements;
- Repeated superannuation switching into particular products or structures;
- External lead generation dependence or aggressive client acquisition models;
- Adviser churn or movement of adviser cohorts between licensees;
- Reportable situations history, including both high reporting volumes and implausibly low or no reporting volumes;
- AFCA complaint concentrations, remediation events and unpaid determinations;
- Responsible manager turnover, capacity concerns or repeated association with failed entities;
- Weak compliance resourcing or excessive reliance on third-party providers without evidence of oversight;
- PI insurance exclusions, high excesses or difficulty maintaining cover;
- Cyber, technology and operational resilience weaknesses; and
- Prior licence cancellation, banning, court action or FSCP disciplinary outcomes involving directors, advisers, responsible managers or key persons.

No single indicator should automatically determine that a licensee is problematic. Some business models are inherently more complex. The purpose of the indicators is to identify combinations of factors that justify deeper regulatory attention and to ensure the framework remains calibrated as the market evolves.

Recommendation 7: The Government should consult on, publish and periodically review a supervisory framework setting out objective indicators that may trigger enhanced ASIC risk supervision.

3.3 Licensees Subject to Enhanced Risk Supervision Should Provide More Information

Once a licensee is escalated to enhanced risk supervision, ASIC should be able to obtain a richer picture of the business than is required through the universal baseline. The information should be confidential as it may be commercially sensitive. However, following escalation, ASIC needs sufficient visibility to understand how the business makes money, acquires clients, selects products and manages conflicts.

Consultation feedback and recent market events have reinforced that advice risk can be shaped by the pathways through which clients are acquired, products are promoted and advice relationships are formed. The way a licensee sources clients, structures referrals and participates in broader distribution networks can materially affect the incentives operating within the advice process, particularly where those arrangements create commercial pressure to recommend particular products, strategies or structures against the best financial interest of clients.

This is not to suggest that lead generation, referral relationships or related-party product arrangements are inherently problematic. Each regularly operate legitimately and support consumer access to advice where conflicts are properly managed and advice remains aligned with the client's best interests. The regulatory question is not whether these arrangements exist, but whether ASIC has sufficient visibility of them and whether the licensee has the governance systems necessary to identify, manage and supervise the risks present.

Shield and First Guardian have sharpened the policy focus on lead generation, telemarketing, superannuation switching and broader distribution chains, particularly where commercial relationships between advisers, marketers and product issuers may not be visible from the licensing structure alone. More broadly, consultation feedback pointed to concerns about property-related referral networks, aggressive marketing models, related-party product distribution and other client acquisition structures that may materially influence advice behaviour without being readily apparent from the face of the licence.

For licensees subject to enhanced risk supervision, ASIC should therefore be able to require a richer set of information about the business model and the commercial relationships surrounding the advice process.

Relevant information could include:

- The licensee's high-level business model and revenue sources;
- Governance arrangements, including board or management oversight, compliance committees and escalation pathways;
- Responsible manager capabilities, capacity and relevant history;
- Use of third-party compliance, technology, paraplanning, audit, cyber or client acquisition providers;
- Marketing and lead generation arrangements;
- Referral relationships and material client acquisition channels;
- Product authorisations and the scope of advice services;
- Qualifications and history of directors and key persons;
- Material conflicts, including related-party product arrangements;
- Approved product list governance and due diligence processes;
- Product concentration and distribution arrangements; and
- Significant reliance on products with elevated consumer risk characteristics, such as illiquidity, valuation uncertainty, complexity, limited redemption rights or related-party exposure.

Particular attention should be paid to client acquisition and distribution. ASIC should also be able to test whether marketing scripts, consumer representations and pre-advice communications are subject to appropriate licensee oversight, and whether clients are entering the advice relationship with pre-formed product expectations created by upstream marketing activity.

Depending on the risk identified, ASIC should also be able to undertake targeted information requests, for example including advice file sampling.

The intensity of that engagement should be tailored to the risk that triggered escalation. A licensee escalated because of unusual adviser movement may require different scrutiny from one escalated because of product concentration, complaint patterns, lead-generation dependence or deteriorating PI arrangements. The purpose of the enhanced framework is not to apply a second standardised checklist, but to give ASIC the capacity to investigate the particular combination of factors that has created concern.

Where these processes identify breaches, there should be clear escalation pathways to compulsory information-gathering powers, licence conditions, stop orders, banning action or enforcement referral. Enhanced risk supervision is intended to support earlier detection, testing and intervention; it should not create any form of alternative to enforcement.

Recommendation 8: Licensees subject to enhanced risk supervision should be required to provide ASIC with a richer set of business-model and governance information, required to privately disclose material client acquisition channels, external lead-generation arrangements, referral relationships and related-party product distribution arrangements, and be subject to targeted information requests, file sampling, governance testing, and clear escalation pathways to enforcement actions where breaches are identified.

3.4 ASIC Must Connect and Triage the Information It Can Already Access

A recurring theme in consultation was that ASIC and other government agencies already receive information that can indicate emerging misconduct, but that this information is not always connected, triaged or escalated early enough.

This is not simply an advice licensing issue, but reflects a broader challenge in financial services regulation where market intelligence is dispersed across different regulatory teams, functions and datasets. Licensing, surveillance, enforcement, AFCA, the FAR, breach reports, trustees, platforms, product issuers and insurers may each see different parts of the same risk pattern. The policy challenge is to convert these fragmented signals into a supervisory intelligence model that can identify patterns before consumer harm crystallises.

This is particularly important where a person or entity leaves one part of the market and re-emerges elsewhere.

For example, a licensee may remove an adviser for compliance concerns and lodge reports. The adviser may later appear in a licence application, responsible manager nomination or new corporate authorised representative arrangement. If the licensing team does not have sufficient visibility of the surveillance or enforcement history, ASIC may miss an opportunity to scrutinise the new structure before consumers are potentially exposed to harm.

Similarly, a low number of breach reports (or none at all) from a licensee may be a sign of good conduct, but it may also be a sign that the licensee lacks systems to detect and report issues. A spike in complaints may not be material on its own, but if the complaints involve the same product, adviser cohort or lead generator, they become more significant. Adviser movement may be benign, but movement following licence enforcement action should automatically trigger scrutiny.

ASIC therefore needs a formal internal intelligence and risk triage framework that integrates existing data and identifies connected patterns.

The framework should serve both components of the supervisory model: informing the agenda and focus of universal supervisory engagements and identifying matters that warrant escalation to the enhanced risk supervision team.

The events surrounding Shield and First Guardian illustrate the importance of connecting signals across the advice ecosystem. Those matters should be approached carefully while liability remains under consideration, but the public facts and industry feedback point to a pattern involving high-risk managed investment products, superannuation switching, lead generation and telemarketing, concentrated product distribution through adviser networks and significant payments across a broader distribution chain.

The FSC does not recommend that ASIC publish these data points or create a public database of reports. Many indicators will be incomplete, commercially sensitive or not yet tested.

Recommendation 9: ASIC should establish a formal internal intelligence and risk triage framework that integrates information across existing regulatory data sources, including proactive surveillance and enforcement, licence variation and cancellation history, reportable situations under section 912D, AFCA systemic issue referrals and complaint trends, FAR adviser movement history, FSCP disciplinary outcomes, and professional indemnity insurance attestations or notifications, to identify connected patterns of misconduct and emerging consumer risk earlier.

3.5 The Government Should Identify Additional Data Feeds That Would Improve Supervision

ASIC should first improve its use of information it already receives and can obtain; new reporting obligations should not be the default response to a failure to connect existing intelligence. As outlined, recommendations 8 and 9 would materially improve the information available to ASIC.

These reforms should be implemented before Government concludes that further reporting obligations are required. If ASIC does not effectively integrate and analyse the information already available to it, simply adding more data risks increasing compliance costs without materially improving the early identification of consumer harm.

However, implementation of Recommendations 8 and 9 may reveal genuine information gaps. Government should therefore consult, after those reforms have been implemented, on whether additional structured data feeds would materially improve ASIC's ability to identify emerging patterns of consumer harm that are not visible through existing information sources.

The strongest candidates are data feeds that are objective, targeted and capable of revealing patterns across the advice ecosystem. From consultation feedback, early suggestions include:

- Standardised adviser reporting of concentrated adviser-led superannuation rollover activity into common destination products or structures;
- Platform or trustee reporting where unusual inflows into particular products are observed;
- Periodic reporting of material product concentration within advice businesses, particularly where advice is heavily concentrated in related-party, unlisted or illiquid products;
- Structured information on material lead-generation, client acquisition or referral dependencies where these are not already visible through enhanced risk supervision; and
- Aggregated professional indemnity claims trend data that may identify emerging patterns of advice misconduct.

The value of these data feeds would lie in their capacity to identify patterns that may not be apparent at the level of an individual licensee or individual consumer complaint. A single superannuation rollover, product recommendation or PI claim may reveal little. Concentrated flows from multiple advisers into the same product or structure, a rapid increase in inflows following a new client acquisition arrangement, or a pattern of similar claims across multiple licensees may warrant closer regulatory attention.

Any additional data feed must have a clearly demonstrated supervisory purpose. The Government and ASIC should be able to identify the specific intelligence gap being addressed, explain how the information would be used and demonstrate why existing data sources or powers are insufficient. New reporting should not be introduced merely because the information may be useful in the abstract.

New requirements should also be proportionate to the risk addressed. They should not involve the collection of commercially sensitive information without demonstrable supervisory value, or result in publication of information that could mislead consumers or damage legitimate business.

Consistent with the “tell us once” principle, the Government should also avoid requiring licensees or other regulated entities to provide substantially the same information to multiple regulators where that information can be appropriately shared.

Recommendation 10: After implementation of Recommendations 8-9, government should consult on whether additional structured data feeds would materially improve early identification of consumer harm.

Section 4: Recalibrate the ASIC Levy

4.1 Better Supervision Requires Funding

The recommendations above require ASIC to undertake a greater level of supervision than it currently does. A field supervision program, biannual supervisory meetings, structured risk triage, enhanced licence application scrutiny, PI monitoring, FAR improvements and an additional supervisory intelligence framework all require dedicated funding. So how should a more active supervisory model be resourced?

This question was put to stakeholders in consultations following the release of the Green Paper. Consultation feedback did not produce a uniform view on reform. Some stakeholders supported a substantial recalibration of ASIC’s industry funding model, while others were concerned about overall additional regulatory cost and the impact on smaller licensees.

Those concerns are legitimate. Advice businesses already face significant regulatory costs, and any increase in the industry funding levy must be justified by a tangible supervisory uplift, transparent cost modelling and measurable improvements in consumer protection.

However, the case for better resourcing remains strong, as outlined in this document. If ASIC is to move from reactive enforcement to earlier, risk-based supervision, the additional capability must be funded. The advice sector would benefit from that uplift because better supervision should improve confidence in the AFSL framework, reduce the risk of poor operators damaging the reputation of the sector, and help prevent failures that ultimately impose costs on consumers, well-governed licensees and the broader industry through remediation, PI pressure and the CSLR.

It is important to note that one of the primary drivers of regulatory costs for financial advisers, funding the CSLR, is currently under review as part of Treasury's consultation on the future of the scheme. The consultation paper canvasses several effective options to reduce the scheme's costs, including scoping compensation to actual capital losses (as opposed to hypothetical capital gains), enhancing the CSLR Operator's subrogation rights to improve recoveries and limiting SMSF-related exposure, including through an opt-in model for SMSF eligibility. If implemented, these reforms would meaningfully reduce the regulatory cost burden currently borne by financial advisers. However, CSLR reform is ultimately focused on reducing the cost of compensating consumer harm after it has occurred, rather than addressing the underlying causes of that harm. By comparison, better resourcing ASIC to undertake more proactive and effective supervision of licensees would address problems further upstream. This earlier intervention should reduce the incidence of misconduct and firm failures, resulting in fewer uncompensated losses and, ultimately, fewer claims flowing through to the CSLR.

While there is a strong case for investing in ASIC's supervision of licensees to reduce the downstream costs of misconduct and firm failures, the incidence of that funding should also reflect where risk is managed. Under the AFSL framework, the licensee is the primary risk manager. That allocation of legal responsibility matters because it is the licensee, not the individual adviser, that carries the primary obligation to build and maintain the systems intended to prevent consumer harm. If supervision is to become more intensive at the licensee level, the funding model should more closely align with that regulatory architecture.

Contrary to this principle, the ASIC levy model places substantial weight on a per-adviser basis, which risks taxing adviser scale while under-pricing the significance of holding the risk-managing licence itself. A small licensee can still generate material consumer harm if it is poorly governed, conflicted, under-resourced or used as a vehicle for high-risk distribution, but presently faces a small barrier to entry of just $1500 (the licensee levy) plus approximately $2300 per adviser. A licensee with only a small number of advisers (and therefore a low total supervisory levy cost) may impose disproportionate supervisory risk if it relies heavily on lead generation, recommends concentrated or illiquid products, has weak compliance infrastructure or lacks the financial resilience to remediate clients. Conversely, a larger licensee with more advisers (and therefore a large total supervisory levy cost) may have stronger systems, dedicated compliance staff and more mature supervision. Adviser headcount is therefore an unreasonable proxy for supervisory risk, and shouldn't be used as the primary method of determining a licensee's ASIC levy.

A recalibrated levy should therefore shift more of the cost toward the licence-level component and reduce the relative weight placed on each adviser. This would better align funding with the legal point of responsibility, create a stronger price signal that holding an AFSL is a serious regulatory commitment, and reduce the marginal regulatory cost of employing or authorising additional advisers within well-governed licensees. The objective is not to punish small licensees or favour large licensees, but to ensure that the cost of supervision better reflects the role of the licensee as the entity responsible for managing risk. Reducing the per-adviser component cost of the levy has the added benefit of incentivising the employment of additional advisers, as the marginal cost of employing an additional financial adviser decreases.

4.2 Estimating the Cost of a Supervisory Uplift

To inform the calibration of a revised ASIC levy in order to fund the measures above, the FSC has performed the below analysis as to the possible cost.

According to Padua Solutions data, as at July 2026 there were 2,443 current AFSL holders that had at some point had a registered financial adviser operating under their licence. Of these, 1,866 currently had at least one registered financial adviser, while 577 continued to hold a licence but had no registered financial advisers. Across the market, there were 15,023 unique current financial advisers.

Under the Existing ASIC Levy

This paper identifies existing financial advice levy costs from the most recent finalised Cost Recovery Implementation Statement (*Cost Recovery Implementation Statement 2024-25 (Financial Advice Sector), ASIC*).

Assuming all AFSLs with active advisers pay their $1500 levy, the licensee incidence is:

1,866 x 1,500 = $2,799,000

Adding the per-adviser contribution of approximately $2300 per adviser, the adviser incidence is:

15,023 x 2,300 = $34,552,900

(Note: At present therefore, based upon these estimates, adviser incidence makes up nearly 93% of the ASIC levy, with the licensee fee comprising only 7%. As discussed, there is an easy path to entry for undercapitalised licence holders).

The total levy raised from active personal advice AFSLs is therefore approximately $37.4 million.

What Would an Uplift Require?

The recommendations in this White Paper would require ASIC to perform a materially more active supervisory role than it does under the current model: a field supervision program involving regular supervisory meetings, structured risk triage, enhanced licence application scrutiny, post-authorisation surveillance, PI adequacy monitoring, improved register functionality and stronger supervisory intelligence capability would involve both direct staffing costs and supporting systems capability.

The FSC has undertaken high-level indicative modelling of what such an uplift may require. That modelling is set out in **Appendix [B]** and is intended to test the order of magnitude of the resourcing question rather than provide a definitive ASIC cost estimate.

On the FSC's indicative modelling, a supervision program incorporating each of the recommendations in this paper would require approximately $27.8 million per annum in additional ASIC resourcing. These estimates should be tested with ASIC. They are not a substitute for Treasury modelling. They demonstrate the scale of the resourcing question and the need to align levy design with the supervisory model.

This would represent a substantial increase relative to the current approximately $37.4 million levy raised across the advice licensing population, but it should be understood in context. The current levy largely funds ASIC's broader regulatory functions rather than a dedicated, proactive advice supervision model. The proposed uplift would fund a materially different supervisory architecture, focused on earlier intervention, stronger governance oversight and more effective consumer protection.

The policy question is therefore not whether stronger supervision carries a cost, but how that cost should be allocated across the advice sector in a way that aligns with the legal architecture of the AFSL regime and the location of supervisory risk.

4.3 Two Options for Levy Recalibration

The White Paper does not recommend a single levy setting as the only available model. The appropriate calibration should ultimately be tested through Treasury consultation and industry modelling. However, if the policy objective is to fund a materially stronger supervisory model, the current levy structure requires recalibration.

The current funding model places most of the levy incidence on advisers rather than licensees, despite the fact that the licensee is the primary legal risk manager under the AFSL framework. A revised model should better align levy incidence with supervisory responsibility, while ensuring the overall funding pool is sufficient to support the supervisory uplift proposed in this paper.

The FSC proposes two possible models for consultation: a moderate recalibration model and a stronger inversion model.

Target Total Funding = $65.2 million ($37.4 million current funding + $27.8 million estimated regulatory uplift)

Option A: Moderate Recalibration

The first option is a moderate recalibration of the levy structure, designed to materially increase the licence-level component while reducing the per-adviser burden and raising sufficient funding to support a biannual supervision program and associated supervisory reforms.

Assuming that, because of the additional cost imposed on a per-licensee basis, there is a 15% decrease in the total number of licensees (due to consolidation or closure):

85% x 1866 = approx. 1585 licensees.

Adviser numbers remain the same at 15,023.

Under this model:

- The fixed licence-level levy would increase to $25,000 per active advice AFSL; and
- The per-adviser levy would reduce to approximately $1,700 per adviser

On current market settings, this would generate:

Licence component: 1,585 × $25,000 = $39.6 million

Adviser component: 15,023 × $1,700 = $25.5 million

Total annual levy pool = approx. $65.1 million

Option A would increase the total funding pool by approximately $27.7 million relative to the current estimated levy base of approximately $37.4 million, aligning with the indicative cost of the supervision-led reform model set out in **Appendix [B]** ($27.8 million).

Importantly, the model materially shifts the weighting toward the licence-level component. Under this structure, approximately 61 per cent of the levy would be borne at the licence level, compared to just 7 per cent under the current model.

This would create a stronger price signal that holding an AFSL is a serious regulatory responsibility, while avoiding an abrupt shift to a heavily front-loaded licence cost.

Option B: Strong Inversion Model

A stronger recalibration model would more aggressively shift levy incidence toward the AFSL itself, placing greater emphasis on the licensee as the entity responsible for managing supervisory risk.

Assuming that, because of the significant additional cost imposed on a per-licensee basis, there is a 20% decrease in the total number of licensees (due to consolidation or closure):

80% x 1866 = approx. 1495 licensees.

Adviser numbers remain the same at 15,023.

Under this model:

- The fixed licence-level levy would increase to $40,000 per active advice AFSL; and
- The per-adviser levy would reduce to $500 per adviser

On current market settings, this would generate:

Licence component: 1,495 × $40,000 = $59.8 million

Adviser component: 15,023 × $500 = $7.5 million

Total annual levy pool = approx. $67.3 million

Option B would generate approximately $29.9 million in additional annual funding relative to the current estimated levy base.

The principal policy difference is the allocation of that burden. Under this model, approximately 89 per cent of levy funding would be borne at the licence level, creating a much stronger financial barrier to holding an AFSL and a much lower marginal regulatory cost of employing additional advisers.

This model more closely aligns levy incidence with the legal architecture of the AFSL regime, but it would represent a much sharper transition for smaller licensees and may require transitional relief or phased implementation.

Industry acceptance of any increased licence-level levy will depend on accountability and transparency. Additional funding should not simply be absorbed into ASIC's broader enforcement or operating budget. It should be clearly linked to a defined advice supervision program and measurable supervisory outcomes.

ASIC should publish annual reporting on the operation of the advice supervision program, including:

- Number of supervisory meetings undertaken;
- Number of licensees subject to increased supervisory intensity;
- Common governance issues identified;
- Common PI adequacy issues;
- Common client acquisition and product concentration issues;
- Number of matters escalated to formal surveillance or enforcement;
- Number of new licensees subject to post-authorisation review; and
- Aggregate supervisory themes and outcomes.

This reporting should not disclose confidential firm-level information, but should provide sufficient transparency to demonstrate that additional levy funding is being directed toward prevention, earlier intervention and stronger consumer protection outcomes.

Recommendation 11: Treasury should recalibrate the industry funding model for financial advice to fund the supervisory uplift proposed in this paper. The fixed licence-level component should increase materially and the variable per-adviser component should reduce, better aligning levy incidence with risk. Two options are proposed in this paper (Pages 24-27).

Section 5: Capital Requirements

5.1 The Green Paper Thoroughly Tested Financial Resource Requirements

The Green Paper asked whether the financial resource requirements for AFS licensees should be strengthened, whether cash and capital requirements should be adjusted according to business model or risk profile, and what additional measures could improve monitoring of licensee financial resilience.

These questions were appropriate. A licensee with no financial resilience is a poor risk manager; if a licensee cannot pay professional indemnity insurance premiums, fund compliance systems, meet AFCA determinations, respond to complaints, remediate clients or wind down in an orderly manner, the practical burden of failure falls on consumers and the broader industry, and (recently) increasingly through the Compensation Scheme of Last Resort.

This question must be considered against the current financial requirements already imposed on AFS licensees. Under ASIC's Regulatory Guide 166 (RG 166), licensees are already subject to baseline financial resource requirements designed to support solvency and operational continuity. At a minimum, AFS licensees must remain solvent at all times, maintain positive net assets, and have adequate cash resources to meet projected cash flow needs. These requirements are supported by audit obligations and, depending on the nature of the business, additional liquidity or cash buffer requirements. In practical terms, the current framework is designed to ensure that licensees can continue operating and meet ordinary business expenses. It is not designed to operate as a prudential capital regime or a standing compensation reserve for consumer losses.

The Green Paper therefore tested whether this baseline remains sufficient in light of recent market failures and the increased visibility of unpaid determinations and compensation shortfalls.

Consultation feedback revealed broad agreement that financial resilience matters, but there was significant disagreement on whether stronger minimum capital requirements were the appropriate policy response.

Some industry participants argued that stronger financial resource settings could improve resilience, particularly where advice businesses operate complex models or rely heavily on external providers. Some participants also argued that scaling financial requirements can support consumer protection, because larger businesses often have larger balance sheets, broader operational capability, more developed compliance infrastructure and greater ability to absorb disruption.

Professional bodies and some market participants also raised concerns that the current framework can place too much reliance on organisational competence representations and PI insurance as proxies for resilience, without sufficient active testing of whether a licensee could absorb operational shocks, fund remediation or maintain continuity during periods of stress.

Overall, consultation feedback did not broadly support imposed minimum capital requirements as the primary response to financial resilience concerns. Industry participants consistently raised concerns that capital adequacy, while relevant to resilience, does not directly address the causes of major recent failures. A recurring theme in consultation was that governance failure, conflicted distribution, weak supervision, product concentration and poor business model design are more direct drivers of consumer harm.

Consultation also highlighted an important proportionality problem. A minimum capital requirement set at a meaningful level may create a substantial barrier for smaller, legitimate and well-governed advice businesses without materially improving consumer outcomes. Conversely, a modest capital requirement may be commercially manageable but too low to provide meaningful protection in the types of large-scale failures that have driven current concern.

The consultation process therefore sharpened the policy distinction between financial resilience and consumer protection. Financial resilience remains important and should be supervised more actively. But the evidence did not support broad capital expansion as the central reform lever for consumer protection outcomes. Instead, the stronger policy case emerging from consultation was for better supervision of financial resilience within the existing AFSL framework, combined with an enhanced ASIC supervisory model (as discussed) and stronger professional indemnity oversight.

5.2 Capital Requirements Would Not Have Prevented Recent Market Failures

The strongest argument against broad capital requirements is that they would not have prevented the failures that have driven current concern, nor would they have created a realistic pool of capital capable of meeting the resulting consumer losses.

Dixon Advisory was not a failure of a tiny, undercapitalised advice licensee. It involved a larger advice business with more sophisticated infrastructure than a micro-licensee. AFCA evidence to the Senate Economics References Committee indicated that the claimed losses across 1,851 Dixon Advisory complaints could total approximately $357 million if all were found in favour of consumers, before the effect of compensation caps or claim outcomes. A broad minimum capital requirement imposed on advice AFSLs would not realistically have been set at a level capable of meeting losses of that scale, and would not necessarily have prevented the advice model, product concentration or conflicts that contributed to consumer harm.

Shield and First Guardian similarly cannot be understood as advice-licensee balance sheet failures. ASIC has stated that around 11,000 Australians invested approximately $1.1 billion in Shield and First Guardian, with ASIC also noting that around 4,000 consumers have benefited from approximately $421 million in payments from Macquarie and compensation from Netwealth to date. ASIC's public materials describe investigations involving lead generators, financial advisers and authorising firms, superannuation trustees, auditors and managed investment scheme operators.

A capital requirement imposed on advice AFSLs would not necessarily have prevented those products from being created, marketed, rated, listed, distributed or recommended. Nor would it necessarily have identified abnormal flows, conflicted referral arrangements, inadequate due diligence or inappropriate superannuation switching before consumers invested.

The scale of the losses demonstrates the practical limitation. A capital requirement high enough to compensate consumers for failures involving hundreds of millions, or more than $1 billion, would be prohibitive for the advice sector. A requirement low enough to be commercially feasible for most advice licensees would not cover the losses that matter most. This is the central policy problem: modest capital requirements risk creating false comfort for consumers, while meaningful capital requirements risk reducing competition and forcing sustainable small licensees out of the market due to unreasonable costs.

5.3 Capital Is Not the Same as Compliance

Capital can support resilience, but it cannot substitute for supervision. A well-capitalised licensee can still operate a conflicted advice model, recommend inappropriate products, rely on aggressive lead generation, fail to properly supervise advisers, under-report breaches and maintain weak product governance. Conversely, a smaller licensee with limited capital may provide low-risk advice, maintain close supervision and operate with a strong compliance culture.

The Green Paper correctly identified undercapitalisation and underinsurance as risks, but the consultation process refined the appropriate policy response. Financial resilience undeniably matters, but the critical policy question is whether broad capital adequacy requirements are the best means of protecting consumers. Consultation feedback strongly indicated that they are not.

The better policy response is to strengthen the practical indicators of resilience and accountability within the existing framework. This includes increasing the licence-level supervisory levy to fund ASIC supervision, making AFSL ownership a more serious financial commitment, requiring ASIC to assess financial and operational resilience as part of supervision, improving professional indemnity oversight, identifying high-risk product and distribution models earlier, and ensuring orderly wind-down planning for ceased licensees.

A rebalanced supervisory levy can perform part of the signalling function that proponents of capital adequacy seek to achieve, but in a more targeted and proportionate way. If the fixed licence-level component is materially increased, holding an AFSL ceases to be a low-cost regulatory entry point and becomes a clearer demonstration of operational commitment, financial capacity and willingness to bear the responsibilities of acting as the principal risk manager within the advice framework. In practical terms, a higher licence-level levy creates stronger “skin in the game”. It requires licensees to demonstrate that they have the financial capacity to sustain the compliance infrastructure, governance capability and supervisory systems expected of an AFSL holder, rather than relying on a low-cost licence as a gateway to lightly supervised advice distribution.

Importantly, this achieves that outcome without imposing a blunt prudential-style capital requirement. Unlike static capital reserves, which may sit idle and provide little insight into governance quality, a higher licence-level supervisory levy directly funds active regulatory oversight while also acting as a market discipline mechanism. It provides evidence that a licensee is sufficiently committed, operationally established and financially capable of maintaining compliance obligations over time. At the same time, reducing the per-adviser component avoids unnecessarily penalising adviser scale, preserving incentives for sustainable adviser employment and consumer access to advice.

This is not a capital requirement and does not purport to create a compensation pool for all failures. It is a funding and incentive mechanism that better aligns cost with responsibility, strengthens the integrity of the AFSL framework and helps ensure that those who hold licences have both the commitment and the capability to meet their obligations.

5.4 Financial Resilience Should Still Be Examined Through Active Supervision

Rejecting broad capital adequacy requirements does not mean financial resilience should sit outside ASIC’s supervisory focus.

Financial resilience remains a consumer protection issue because advice failures become most acute not at the point misconduct occurs, but when the licensee lacks the financial or operational capacity to remediate affected clients, meet compensation obligations, manage complaints, maintain professional indemnity cover or preserve client records.

As part of the licensing supervisory engagement proposed in this paper, ASIC should test whether a licensee has the operational and financial capacity to meet foreseeable obligations arising from its business model and risk profile. This should not be a prudential-style capital test. Rather, it should be a more practical assessment of whether the business can absorb ordinary operational stress and consumer redress events.

This should include review of:

- Working capital sufficiency and short-term cash flow management;
- Capacity to pay wages, rent, technology costs and compliance costs during disruption;
- Ability to pay PI premiums, policy excesses and self-insured retentions;
- Capacity to absorb premium increases or maintain continuity of cover at renewal;
- Adequacy of internal or outsourced compliance resourcing;
- Capacity to fund file reviews, remediation work and complaint handling;
- Ability to meet AFCA determinations and maintain RG 271 complaint processes;
- Cyber incident response capability;
- Dependence on critical technology or outsourced providers; and
- Orderly wind-down arrangements, including client communications, complaint continuity, claims notification and record preservation.

These assessments should be proportionate. A low-volume strategic advice practice with limited product exposure should not be treated the same as a high-growth model dependent on lead generation or complex superannuation switching.

Recommendation 12: Government should not introduce broad minimum capital requirements for advice AFSLs as the primary policy response to recent failures. Financial and operational resilience should instead be actively tested through the universal and enhanced supervisory frameworks proposed in this paper.

Section 6: Expand and Modernise the Financial Advisers Register

6.1 The FAR is Useful, But Underdeveloped

The Green Paper canvassed an adviser skills and performance registry. The consultation response supported the objective of transparency, but not the creation of a parallel register, citing instead the existing Financial Advisers Register (FAR).

Consultation feedback consistently suggested enhancing the existing FAR and related ASIC registers. The FAR is already used by consumers, licensees, professional bodies and market participants to verify adviser authorisations, qualifications, employment history and disciplinary information. Creating a second register would add cost, duplication and may introduce confusion.

However, the current FAR is narrow in scope. It helps a consumer search for a particular adviser, but it is less useful for understanding the structure around that adviser: the AFSL, corporate authorised representative, trading name, responsible managers, related entities and other advisers operating under the same licence.

This matters because advice risk often sits in the structure around the adviser. A consumer may know the adviser’s trading name or brand, but not the AFSL holder. A trustee or platform may need to understand whether multiple advisers recommending the same product sit under the same licence. A licensee conducting due diligence may need to identify repeated movement between entities. ASIC may need to see clustering across a licence.

Consultation feedback was particularly helpful in identifying practical register improvements, including a by-licensee view, clearer corporate authorised representative relationships, trading names, consumer-friendly authorisation descriptions, responsible manager visibility, adviser history and stronger linkage between public-facing disclosures and the entities actually responsible for advice.

6.2 A By-Licensee View Would Improve Transparency

The most useful practical reform is a by-licensee view.

ASIC's Moneysmart FAR interface should allow a user to search an AFSL and see, in one place:

- All current advisers operating under that licence;
- Corporate authorised representatives connected to the licence;
- Trading names and public-facing brands associated with the licence;
- Prior names where relevant;
- Current authorisation status;
- Links to the existing individual adviser profiles;
- Disciplinary outcomes where published;
- Complaints and compensation responsibility information where appropriate; and
- Key governance contacts or register links where legally permissible.

This would make the existing responsibility chain easier to understand.

For consumers, the register should answer simple questions: Who is my adviser? Who authorises them? What business name do they operate under? Who holds the AFSL? Who is responsible for complaints and compensation arrangements?

For industry, the by-licensee view would support due diligence and pattern recognition. It would make it easier to identify adviser clustering, corporate authorised representative networks, trading name changes and repeated movement between entities.

In Report 830: Regulatory Simplification progress published in May 2026, ASIC indicated that improving the usability of ASIC registers is a key priority. Specifically, ASIC reported that during 2026 it plans to migrate the FAR and the Authorised Representative Register onto a new, improved platform. The recommended upgrades to the FAR outlined in this paper could be incorporated into that wider process.

Recommendation 13: The Moneysmart Financial Advisers Register interface should be upgraded so users can search an AFSL and see, in one place, an enhanced licensee view of the register. This should include all advisers operating under that licence, corporate authorised representatives where applicable, and trading names ultimately associated with the licence.

6.3 Responsible Managers Should be More Visible

A recurring consultation theme was that responsible managers (and responsible persons) should be more visible.

This reform requires care because "responsible manager" is not a statutory office equivalent to a company director. It is an ASIC licensing concept used to assess whether a licensee has the organisational competence to provide the financial services covered by its licence. ASIC expects licensees to nominate responsible managers with appropriate knowledge and skills, and a responsible manager may be connected to one or more financial services authorisations and relied upon to demonstrate competence for particular services or products.

Because responsible managers are central to organisational competence, greater visibility would assist accountability. A responsible manager may be connected to multiple AFSLs. A person may move between failed, cancelled or high-risk entities. A licensee may rely on a responsible manager whose capacity is stretched or whose practical involvement is limited. These facts are relevant to ASIC supervision, licensee due diligence and consumer confidence.

This paper does not propose shifting legal responsibility from the licensee to responsible managers. Under the AFSL framework, the licensee remains legally responsible for the financial services provided under its licence, including supervision of its representatives. However, greater transparency about the responsible managers and other key governance persons connected to a licensee would improve visibility of the governance structure supporting that licence and assist in identifying repeated patterns of movement between failed or higher-risk entities.

There should be both an entity view and an individual view. The entity view should show the responsible managers connected to the AFSL. The individual view should show current and historical AFSL associations for that responsible manager. Historical visibility is important to address phoenixing risk.

Implementation would require careful legal design. Government should consult on whether responsible manager visibility requires legislative amendment, changes to ASIC register rules, or revised licensing data collection. The reform should preserve procedural fairness and avoid implying personal liability beyond the existing law.

Recommendation 14: The Government should consult on a mechanism to identify and disclose responsible managers and responsible persons connected to an advice AFSL on the FAR, including an individual view of these persons, displaying which AFSLs they are linked to and their historical associations.

6.4 Adviser Authorisations Should be Consumer-Readable

The FAR should also be more useful to consumers. At present, adviser authorisations are often described using technical product categories. A consumer may not understand whether an adviser can advise on retirement income, managed investments, life insurance, SMSFs or securities by reading technical authorisation language. This is a consumer protection problem. A register that is legally accurate but not consumer-readable does not fully serve its purpose.

ASIC should redesign the consumer-facing display of adviser authorisations so that it explains in plain English what an adviser can and cannot advise on. This should not alter the underlying licence authorisations, but should translate them into language a consumer can understand.

For example, instead of requiring a consumer to interpret technical references to “securities”, “interests in managed investment schemes”, “superannuation products” or “life products”, the FAR could display simple categories such as:

- Can provide advice on superannuation;
- Can provide advice on self-managed superannuation funds;

- Can provide advice on life insurance;
- Can provide advice on securities;
- Can provide advice on managed funds and managed investment products;
- Can provide advice on retirement income products; and
- Cannot provide advice on [category] if not authorised.

The register should also explain that authorisation does not mean endorsement by ASIC, and that consumers should check the adviser's qualifications, licensee, complaints process and scope of advice.

Recommendation 15: The Moneysmart FAR interface should be redesigned to ensure the consumer-facing display of adviser authorisations explains, in plain English, what the adviser can and cannot advise on.

Section 7: Strengthen ASIC Oversight of Professional Indemnity Insurance and Post-Exit Consumer Protection

7.1 PI Insurance is Essential but Not Sufficient

Professional indemnity (PI) insurance is an important part of the consumer protection architecture for AFS licensees providing financial services to retail clients. Section 912B of the Corporations Act requires relevant licensees to have arrangements for compensating retail clients for loss or damage suffered because of breaches of Chapter 7 obligations. ASIC's Regulatory Guide 126 explains how licensees can satisfy this obligation, including through PI insurance.

However, consultation feedback consistently identified PI insurance as a weak point in the current framework.

The concern is not simply whether a licensee has a certificate of currency. A certificate of currency says little about whether the policy will respond to the kinds of claims likely to arise from the licensee's business model. The real questions are:

- What is the insured limit?
- What is the aggregate limit?
- What exclusions apply?
- Are fraud, dishonest conduct, cyber, advice fee claims, related-party products, off-APL advice or particular product classes excluded?
- What is the retroactive date?
- Are past advisers covered?
- Are current and former authorised representatives covered?
- What is the excess or self-insured retention?
- Can the licensee afford the excess?
- Has the policy been renewed on materially different terms?
- Is run-off cover available if the licensee ceases?
- Are claims-made timing issues understood and managed?

Consultation feedback and the FSC's PI submission pointed to the same issue: ASIC's oversight of PI adequacy appears too point-in-time and insufficiently risk-based.

The Green Paper identified the lack of ongoing oversight after AFSL registration as a vulnerability. This White Paper accepts that concern and recommends more active supervision.

7.2 PI Should Not be Expected to Solve Product-System Failures

Government and regulators must be careful not to overstate what PI can do.

PI insurance is not a substitute for supervision, and will not necessarily respond to fraud, deliberate wrongdoing, product failure, insolvency, conduct outside authorisation, or claims excluded by policy wording. It is not designed to underwrite billion-dollar managed investment scheme failures.

This is particularly important in the context of Shield and First Guardian. Those failures involved broader value-chain issues, including product manufacture, distribution, superannuation switching, lead generation and advice. PI insurance held by advice licensees cannot be expected to absorb the totality of losses arising from product-system failures involving multiple regulated entities.

However, PI can and should be a more credible protection against negligence, poor advice and remediation costs within a reasonable risk envelope. To do that, adequacy must be monitored over time.

7.3 ASIC Should Review PI Policies

As part of the annual licence renewal, licence holders should be required to provide ASIC with their current PI policy, including relevant schedules and endorsements. This should not be a mere tick-box confirmation that a policy exists. ASIC should have regard to whether the licensee's PI arrangements remain adequate having regard to the nature, scale and complexity of the business.

In conducting this assessment, ASIC should have regard to:

- Insured limits and aggregate limits;
- Scope of cover;
- Key exclusions;
- Retroactive cover;
- Excesses and self-insured retentions;
- Claims-made continuity;
- Coverage of authorised representatives and former representatives;
- Claims notification processes;
- Changes since the prior policy period;
- Premium affordability and continuity; and
- Whether the licensee has assessed adequacy against current business activities.

This assessment should form part of the annual renewal process and should be proportionate to the nature and complexity of the licensee's business. Where the policy or surrounding information raises concerns (for example, because of material exclusions, reduced limits or unjustified changes from the previous policy), ASIC should be able to seek further information and assess whether the licensee continues to satisfy its compensation arrangement obligations.

Recommendation 16: As part of the annual licence renewal, advice licensees should be required to provide ASIC with their current professional indemnity insurance policy. ASIC should review whether the licensee's PI arrangements remain adequate having regard to the nature, scale and complexity of its business, consistent with existing obligations under section 912B of the *Corporations Act* and RG 126.

7.4 Uplifting Minimum PI Cover Settings

The field supervision program proposed in Recommendation 3 provides a practical forum for PI monitoring.

The current minimum PI cover settings should also be reviewed. Under RG 126, ASIC's minimum expectation is that an AFS licensee with retail client revenue of $2 million or less holds at least $2 million in cover for any one claim and in the aggregate. For licensees with retail client revenue above $2 million, minimum cover should be approximately equal to actual or expected retail client revenue, subject to a maximum minimum limit of $20 million. RG 126 also requires at least one automatic reinstatement, unless the policy limit is already at least twice the required minimum amount.

In practice, this means the current framework can require a larger advice licensee to hold a $20 million limit with at least one reinstatement, creating capacity for a further reinstated limit if the policy is exhausted during the policy period. That is materially different from requiring $40 million for any one claim, and should not be described as a single $40 million minimum. However, it does mean that ASIC's framework already recognises that one annual limit may be insufficient where multiple claims arise.

These settings have not been substantially recalibrated since the compensation and PI framework was developed in 2007. Since that time, advice businesses have faced higher advice costs, higher AFCA compensation limits, more complex remediation exposure, higher cyber and operational risk, and increased public concern regarding unpaid determinations and licensee failure. A modest uplift to the minimum cover settings is therefore appropriate, provided it is grounded in market availability and does not assume PI insurance can cover product-system failures or deliberate misconduct.

Government and ASIC should consult on increasing the $20 million maximum minimum limit by reference to CPI since the framework was first set. A CPI-based adjustment would suggest an uplift in the order of approximately 60 per cent, which would imply a revised cap of around $32 million. For simplicity and market workability, this could be rounded to a new maximum minimum limit of $30 million, with ASIC retaining the existing requirement for at least one automatic reinstatement unless the policy limit is already at least twice the minimum required amount.

This would be a measured reform. It would not double the base requirement, nor would it create a false expectation that PI insurance can compensate consumers for large managed investment scheme collapses. Rather, it would update a long-standing minimum setting to reflect inflation and the increased scale of advice-related claims risk, while preserving ASIC's current risk-based approach to adequacy. ASIC should also retain the position that some licensees may require higher cover depending on the nature, scale and complexity of their business, including adviser numbers, geographic dispersion, advice scope, product exposure, AFCA risk and financial resources

Recommendation 17: Government and ASIC should review the minimum PI cover settings in RG 126, including increasing the maximum minimum cover limit from $20 million to approximately $30 million, or another CPI-adjusted figure determined through consultation, while retaining the requirement for automatic reinstatement and ensuring any uplift is subject to commercial availability in the PI market.

7.5 Supervisory Meetings Should be Used to Monitor PI Insurance Deterioration

The field supervision program proposed in Recommendation 3 provides a practical forum for PI insurance monitoring.

ASIC should use regular supervisory engagement to test whether a licensee's PI arrangements have materially changed. This may include asking for an up-to-date certificate of currency, but for higher-risk licensees it should go further. ASIC should examine material changes such as policy cancellation, non-renewal, reduction in insured limits, new exclusions, increased excesses, exhausted aggregate limits, narrowed retroactive cover or insurer withdrawal.

There is already a continuous obligation to maintain adequate compensation arrangements, and the proposed reform is not to suggest that PI obligations begin only at notification. Rather, the reform is intended to give ASIC better visibility when compensation arrangements deteriorate.

ASIC should consider introducing a specific notification requirement for material changes to PI arrangements. At minimum, these matters should be covered in supervisory meetings and periodic attestations.

Recommendation 18: As part of regular active surveillance under Recommendation 3, ASIC should assess material changes to a licensee's professional indemnity arrangements, including policy cancellation, non-renewal, material reduction in insured limits, or substantive changes to exclusions, to improve visibility of deteriorating arrangements.

7.6 Run-off Cover and Post-Exit Consumer Protection

Run-off cover was one of the most consistently raised issues in consultation. Consultation feedback expressed concern that consumers may be left without practical recourse where a licensee ceases trading, becomes insolvent, cancels its licence or fails to maintain PI cover.

This issue requires technical caution. ASIC has historically recognised that automatic run-off cover may not be available in the market on commercially reasonable terms. Mandating a product the market will not provide would not improve consumer protection. It may simply make advice businesses uninsurable or more expensive.

However, the market should be re-tested. PI conditions have evolved since the post-Royal Commission period. Consultation feedback indicated that the PI market has stabilised in some respects, although cost and exclusions remain significant. Treasury and ASIC should therefore review whether run-off cover is now available and affordable for advice businesses, and whether a proportionate requirement could be introduced.

The review should consider:

- Whether run-off cover is available for advice licensees generally;
- Whether availability differs by licensee size, claims history or business model;
- Typical duration of run-off cover offered;
- Cost and premium structure;
- Whether cover extends to former authorised representatives;
- Interaction with claims-made policies;
- Treatment of insolvency and licence cancellation;
- Whether extended notification periods could be a substitute;
- Whether wind-down plans could provide partial protection where cover is unavailable; and
- Whether minimum run-off expectations should apply only where commercially available.

If run-off cover remains unavailable or commercially unreasonable, ASIC should consider alternatives: mandatory notification of cancellation or non-renewal, wind-down plans, client communication obligations, record retention requirements, claims notification procedures and continued AFCA engagement arrangements where legally possible.

The aim is not to pretend run-off can be mandated regardless of market capacity, but to ensure that post-exit consumer protection is no longer treated as a known but unmanaged gap.

Recommendation 19: Government should review the commercial availability and affordability of run-off cover for advice businesses after licence cessation, insolvency or cancellation, including whether the market has developed sufficiently to support a run-off cover requirement for all advice licensees.

Appendix A: Responding to Green Paper Feedback

A.1 A Recalibrated Licensing Regime that Responds to Firm Diversity

The Green Paper asked whether Government should introduce a tiered licensing framework based on size, risk profile and service scope. Consultation did not support statutory tiering. Industry groups and licensee stakeholders argued that tiering would fragment consumer protection and create regulatory arbitrage. Other professional bodies were more open to a new licensing framework, but generally framed the issue as one of risk management rather than new licensing classes. The White Paper therefore does not recommend tiered licensing. It recommends risk-based supervision within the existing AFSL framework.

The Green Paper also asked whether third-party compliance providers should be accredited. Feedback was mixed, but generally unsupportive. Some adviser groups supported accreditation in principle, particularly because smaller licensees rely heavily on external providers. However, industry groups and other advisers warned that accreditation could blur accountability and reduce genuine competition due to another layer of compliance costs. The White Paper therefore does not recommend a mandatory accreditation regime. It recommends however that ASIC privately assess how licensees select, oversee and rely on third-party providers as part of organisational competence and risk management. If accreditation is pursued later, it should be light-touch, non-substitutive and clear that the licensee remains responsible.

A.2 Balanced Accountability Between Licensees and Advisers

The Green Paper asked whether Government and industry should consult on a practising certificate model. Feedback was divided. Academic input and some professional body stakeholders supported individual licensing or practising certificates as a logical step in "further professionalisation". Licensee stakeholders opposed it, arguing that it would dilute consumer protection and undermine the AFSL's role as primary risk manager. Generally, feedback was open to discussing individual accountability but questioned whether a new practising certificate would produce benefits beyond existing registration, education, CPD, banning and Code obligations, without watering down licensee responsibilities. The White Paper therefore does not recommend a practising certificate model.

The White Paper instead recommends strengthening accountability through existing mechanisms: improved ASIC reference checking at licence application, better visibility of responsible managers and governance roles, use of adviser movement and disciplinary data, and more active supervision of licensees whose advisers or key persons have concerning histories.

A.3 Adviser Skills and Performance Registry

The Green Paper asked whether ASIC should introduce an adviser skills and performance registry. Stakeholders supported transparency but generally preferred enhancing the FAR rather than creating a parallel register. Feedback noted that the FAR is already a useful tool, while also emphasising the value of by-licensee visibility, corporate authorised representative relationships, trading names and responsible manager visibility. Other stakeholders warned against duplicative infrastructure.

The White Paper recommends enhancing the FAR and related ASIC registers, with a distinction between public consumer information and richer non-public supervisory data.

A.4 Financial Resource Requirements

The Green Paper asked whether cash and capital requirements should be strengthened. Some stakeholders supported stronger financial resources in principle, while others supported review of financial requirements and PI. However, many stakeholders argued that broad capital requirements would not have prevented Dixon, Shield or First Guardian and could reduce access to advice.

The White Paper recognises financial resilience as important but does not recommend broad capital adequacy as the primary reform. It recommends supervision of operational resilience, PI adequacy, remediation capacity and orderly wind-down capability.

A.5 ASIC Oversight of PI Insurance

The Green Paper asked whether ASIC should exercise greater oversight of professional indemnity insurance arrangements. A recurring concern from consultation feedback was the limited assurance that PI cover remains adequate after a licence is granted. Stakeholders identified that, though a licensee may hold PI insurance, ASIC does not currently examine whether the policy remains appropriate for the licensee's risk profile and potential claims exposure.

Several professional bodies and industry participants outlined concerns as to whether ASIC receives sufficient information about policy limits, exclusions, excesses and changes in cover. Also concerning was the view that no mechanism currently identifies deterioration in PI cover before consumer claims arise.

The FSC's submission to Treasury on the effectiveness of professional indemnity insurance reached a similar conclusion. It supported stronger ongoing regulatory monitoring and supervision of licensee PI arrangements, including annual reporting and greater ASIC visibility of whether cover remains adequate. However, that submission also cautioned against expecting PI insurance to do the "heavy lifting" in addressing the root causes of recent large-scale consumer losses, as discussed in this paper.

The recommendations in this White Paper should therefore be understood as providing a more holistic form of consumer protection than reliance on PI insurance alone. The White Paper recommends that PI adequacy be embedded into annual licence renewal and ongoing supervision. Licensees should provide ASIC with their current PI policy, including relevant schedules and endorsements, and ASIC should have regard to whether the arrangements remain adequate for the nature, scale and complexity of the business. Material deterioration in cover should also inform supervisory intensity and, where appropriate, escalation to enhanced supervision.

A.6 Minimum PI Requirements

The Green Paper also asked whether the minimum requirements applying to PI insurance remain adequate. This was the strongest area of consensus. Stakeholders consistently identified potential limitations in the protection provided by the minimum PI requirements.

The White Paper therefore recommends that the Government and ASIC review the minimum PI requirements applying to advice licensees, with consideration to the current minimum cover limit and the practical availability of run-off cover. Any reform should be informed by the limitations of the insurance market and should complement, rather than substitute for, the broader preventative protections recommended in this White Paper.

Appendix B: Indicative Costing of a Supervision-Led ASIC Advice Oversight Model

White Paper Recommended Measure	High-Level Cost Estimate
Rec. 3: Supervision Program – Biannual Supervisory Meetings	Approx 1800 active AFSLs x 2 meetings = 3600 ASIC supervision meetings Assuming an ASIC employee can properly conduct and document 2 meetings per week for 45 weeks per year (2 x 45 = 90 meetings per employee): 3600 ASIC field supervision meetings ÷ 90 meetings per employee = 40 new ASIC staff required. Assume that employee wages are at the maximum level of employee level ASIC 4, Step 6 (according to ASIC Salary and Benefits 2025): $133,656 incl. super. 40 x $133,656 = **$5.3 million**. Assume that 10 senior managers are employed with industry experience to escalate possible concerns from the approx. 40 supervisory meetings per week. Assume that employee wages are at the maximum level of Executive Level 2, Step 12 (according to ASIC Salary and Benefits 2025): $233,817 incl. super. 10 x $233,817 = **$2.3 million** Assume further overhead and employee costs (training, administration costs, leave backfill) of $40,000 per person = **$2 million.** For an estimated total cost of **$9.6 million per annum**, a dedicated team of 50 ASIC staff (including management) could conduct proactive field supervision of advice licensees.
Rec. 4: Development and Maintenance of a Dedicated Annual Review Framework for Advice AFSLs	Approximate design phase involving: • 6 policy/design staff to develop supervisory criteria, risk weighting methodology, internal guidance and staff training materials • 4 legal/policy specialists to align framework with existing ASIC powers and administrative law requirements • 5 systems/data staff to integrate the framework into ASIC's internal supervision systems Assume 15 FTE for a 12-month establishment phase. Assume policy/design and system/data employee wages at ASIC Level 4 Step 6: 11 × $133,656 = **$1.5 million** Assume legal/policy specialist premium (4 staff at EL2 equivalent): 4 × $233,817 = **$0.9 million**

	Assume systems integration, project management and implementation overheads: **$2 million** **<u>Estimated total cost: $4.4 million in the first year, likely to decrease thereafter.</u>**
Rec. 5: Enhanced Scrutiny at Licence Application and Variation Stages	Assume approx. 150 new AFSL applications and material variations annually requiring enhanced assessment (based on historic establishment rates from WealthData). This would amount to approximately three per week. Assume: • 4 specialised licensing officers; • 2 senior legal reviewers; and • Additional due diligence systems and background checks. 4 employee level ASIC 4, Step 6 staff: 4 × $133,656 = **$0.5 million** 2 Executive Level staff: 2 × $233,817 = **$0.5 million** Estimated enhanced due diligence systems cost: **$0.6 million** Estimated annual cost**: $1.6 million**
Rec. 5: Heightened Post-Authorisation Surveillance	Assume approx. 150 new advice AFSLs per annum entering a mandatory 2-year surveillance cohort (assuming no new applicants are denied) At any given point: approx. 300 AFSLs under post-authorisation monitoring. Assume each surveillance officer can intensively review 20 AFSLs: 300 ÷ 20 = 15 FTE 15 ASIC Level 4 staff: 15 × $133,656 = **$2 million** Assume 3 senior supervisory leads: 3 × $233,817 = **$700,000** Operational support and reporting systems: **$500,000** Estimated annual cost: **$3.2 million**
Rec. 6: 'Increased Supervisory Intensity' Scheme	Assume approximately 15% of active advice AFSLs (280 licensees) are designated higher-risk and subject to deeper supervision. Assume each higher-risk licensee requires: • Additional file reviews; • Enhanced document requests; • Follow-up meetings; and • Escalation preparation.

	Assume each case requires an additional 0.1 FTE annually (i.e. a 'deep supervision' case manager could perform 10 reviews per year, or a detailed review of approximately one licensee per month): 280 × 0.1 = 28 FTE Assume ASIC Level 4 Step 6 staffing: 28 × $133,656 = **$3.7 million** Assume 4 senior escalation managers: 4 × $233,817 = **$0.9 million** Assume further overhead and employee costs (training, administration costs, leave backfill) of $40,000 per person = **$1.3 million.** **<u>Estimated total cost: $5.9 million</u>**
Rec. 9: Establish & Operate a Formal Internal Intelligence and Risk Triage Framework	The staffing cost of supervisory intelligence and structured risk triage is substantially captured within the broader supervision program in Recommendation 3, particularly through the dedicated analytical and senior escalation capacity assumed in that model. The incremental cost of Recommendation 9 therefore primarily relates to systems configuration, internal workflow design, data integration and governance processes required to connect and operationalise existing data sources, including reportable situations, AFCA complaint trends, adviser movement history, PI notifications and enforcement history. Estimated annual cost**: $2 million**
Cross-Recs.: Collection & Analysis of Additional Business Information	The core supervisory staff funded under Recommendation 3 would perform much of the review and assessment of additional business information as part of ordinary supervisory engagement. The incremental cost of the new data collections is therefore limited to document handling systems, secure storage capability, risk coding templates and process adjustments to incorporate additional business model disclosures into ASIC's supervisory framework. Because this information would be collected through existing supervisory and licensing touchpoints, the cost is process-based rather than workforce-based. Estimated annual cost: **$1.1 million**
	TOTAL ESTIMATED COST: $9.6 million + $4.4 million + $1.6 million + $3.2 million + $5.9 million + $2 million + $1.1 million = **<u>$27.8 million</u>**

Note: All of the figures above also assume there is no decrease in the total number of licensees as a result of the recalibrated levy proposed in this paper. (i.e. the real cost is likely to be lower, as it is expected that the total number of licensees may decrease due to consolidation or closure, because of the additional cost imposed on a per-licensee basis).

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- CPA Australia.
- Dr Angelique McInnes.
- Financial Advice Association Australia.
- FinWise Leadership.
- Institute of Financial Professionals Australia.
- SMSF Association.
- The Advisers Association.
- Assured Support.

Note: A number of interviewees have not been identified, as their feedback was provided on a confidential basis.

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Financial Services Council

fsc.org.au

Suite 30.01, Level 30

9 Castlereagh Street, Sydney NSW 2000

+61 423 576 999

info@fsc.org.au

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