



THE BASICS

From 1 July 2016 a recognised accountant can no longer recommend a client establish or wind up an SMSF unless the accountant is appropriately licensed. This has huge ramifications for any accountant looking to take a proactive role in

providing advice to their clients. This fact sheet explains two essential concepts for accountants to understand the world of licensing - the differences between being an authorised representative and self-licensing and the various levels of licensing.

AUTHORISED REPRESENTATIVE - v - SELF-LICENSED

AUTHORISED REPRESENTATIVE

ASIC is the regulatory body that issues the Australian Financial Services Licence (AFSL). Typically, financial planners in Australia do not hold their own AFSL but become what is known as an authorised representative of a licensee. They are then only responsible for the advice and dealing requirements, not the additional licensing requirements. Examples of licensees include:

- Institutions such as AMP and the Big 4 banks.
- Dealer groups such as Count and Lonsdale who oversee a large network of financial planners.
- Independents who oversee the licence for their own business.

SELF-LICENSED

If you become a licence holder and are also the one providing advice (or dealing), you're responsible for fulfilling all the licence obligations. This includes risk management, HR and the

supervision of advisers with the benefit of having full control over your business. You will also need to (for example) hold your own professional indemnity insurance that covers the AFSL activities, become a member of an external dispute resolution scheme and ensure the business is audited annually.

LIMITED LICENCE

If you obtain the new Limited Licence offered by ASIC, then you are regarded as self-licensed as you will be licenced directly with ASIC. When providing advice, you will be acting as a representative of your licensee and therefore will need to meet the advice, dealing and additional licensing requirements. Having your own licence puts you in complete control of your advice business, but it also means you are responsible for ensuring all AFSL requirements are met.

LICENSING - v - GIVING ADVICE



The tables below outline the pros and cons of each option:

SELF-LICENSED

Pros

- Full control over your business and clients
- Economies of scale for larger practices
- Specialist advisers, particularly in the SMSF space may find acting under external licensees too restrictive
- You control your advice (SOA templates)

Cons

- You take on the licensing, advice and dealing risks
- Additional time and resources are needed
- Not recommended if you have no experience in licensing, or are not partnering with a consultant to assist you to understand and manage your licensing obligations

AUTHORISED REPRESENTATIVE

Pros

- Quicker and easier
- External licensee can offer more support
- Allows you to focus on advice and dealing requirements, rather than advice, dealing and licensing requirements
- Tools, templates and technical support should all be provided as part of licensing authorisation
- Other support such as practice management often also included in your licensing fee

Cons

- Finding a licensee that shares the same values as you
- Finding a licensee that offers what you want and need (not too little, or paying for things you don't need)
- Finding a licensee that understands accountants and strategic advice
- Finding a provider that can cater for specialist SMSF and advice that incorporates the needs of small business owners

DIFFERENT AUTHORITY LEVELS

An AFSL holder can authorise individuals to provide the full range of activities permitted by their licence. Alternatively, they are able to offer ‘reduced’ authorities that carry lesser requirements, including reduced initial training to obtain that authority.

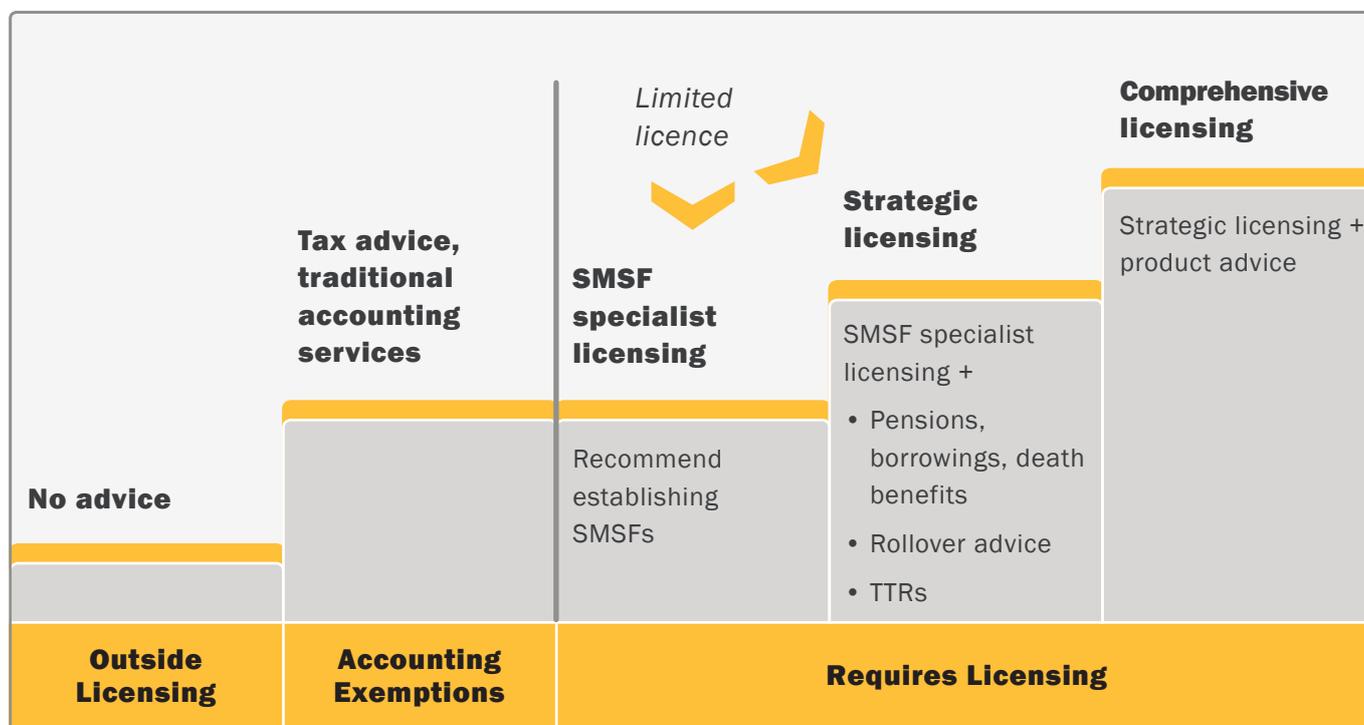
Most licensees offering authorities to accountants are doing so through a licence with extensive or full licensing capability. This means they can amend their scope however they wish.

The diagram below shows three different authorities typically offered by a licensee, along with activities permitted by those authorities.

If you are comparing different authorities, it is important to check the underlying activities on which you can advise, not just the name of the authority. There are many ‘SMSF specialist advice’ authorities that allow you to do **little more** than establish and wind up SMSFs.

Also, be wary of any licensees offering extensive advice areas, but only requiring a short RG146 course. If you are providing the advice listed in the “Strategic or comprehensive licensing” column below, this will normally require you to complete a Diploma of Financial Planning or equivalent.

LICENSING OPTIONS



IMPORTANT INFORMATION:

Licensing for Accountants has taken reasonable care to ensure that the information found in this fact sheet is correct at the time of writing. The information contained in this fact sheet is a guide only. You should obtain further information specific to your situation or professional advice before making a decision. Changes in the law or ASIC’s policies may occur at any time and may impact the accuracy, reliability or completeness of the information. We are not liable for any decision taken on the basis of the information shown in or omitted from this document.

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