



### 1. DOES EVERYONE IN MY PRACTICE NEED TO BE LICENSED?

No – it's likely that only client-facing accountants giving financial planning and superannuation advice will need licensing. Note that AFS licensing differs from the tax agents' registration where just one accountant in a practice may be registered and takes overall responsibility for all tax work. Under financial services licensing, all client-facing accountants providing financial planning and superannuation advice require licensing.

There is a high cost of obtaining and maintaining licensing, so it is a good time to review your business model and establish just how many practitioners require licensing. If some client-facing accountants specialise in areas such as compliance, insolvency or business advice, it could be more cost-effective for them to refer clients to the specialist licence holders in your practice.

### 2. WHAT IS THE DIFFERENCE BETWEEN A LICENCE HOLDER AND AN AUTHORITY?

The key difference is that if you're a licence holder, you're responsible for fulfilling all the licence obligations **and** advice and dealing obligations under the law. If you're an authorised representative, you're responsible only for the advice and dealing obligations.

The licence obligations, which include risk management, HR and supervision of advisers,

can be time consuming and onerous. However, if you hold a licence, you have full control over your business and won't have to operate under external licensee directions that you may find restrictive.

As an authorised representative, you should receive tools, templates and support, enabling you to focus solely on giving advice. The main issue is that you'll need to find a licensee who shares your values, and who provides and charges for only the services you want and need.

[Find out more](#)

[Fact Sheet 1 - AFS Licensing Information – The basics](#)

### 3. WHEN DO I NEED TO OBTAIN A LICENCE?

Before deciding when you need a licence, first ascertain if you need one at all.

The only exemption being removed as part of FOFA is the one to recommend the establishment and wind up of SMSFs. If you are providing compliance based services and the only advice you are currently providing is to recommend the establishment of SMSFs, you will need to be licensed by **1 July 2016**.

However, if you are providing advice in other areas such as contributions advice, limited recourse borrowing arrangements, pensions and TTRs and you are looking beyond just the tax considerations of these strategies, you should consider licensing now. Otherwise you may find you're holding

your business back, as well as potentially losing financial planning and superannuation revenue to practitioners who are already licensed.

It will take between 6 months and 2 years to complete the licensing process, including the RG146 training (which is often provided as part of a Diploma of Financial Planning).

## 4. I HAVE A RELATIONSHIP WITH A FINANCIAL PLANNER – DO I STILL NEED TO BE LICENSED?

You will need a licence if you want to provide strategic advice to your clients. If you give that advice, you must also write the Statement of Advice (SOA) - you cannot hand this responsibility over to the financial planner to write.

It's expected that the new licensing regime will change many relationships between accountants and financial planners. For example, if you want to give strategic advice, will your financial planner be happy just giving the investment advice and product recommendations? Or will they want to give strategic advice too? Some experts are predicting the re-emergence of investment specialists in financial planning; such practitioners would dovetail well with accountancy firms' roles as strategic advisers.

## 5. DO I NEED A LICENCE IF I'M JUST GIVING TAX ADVICE?

Are you **really** just giving tax advice?

If you are genuinely giving tax advice only, and not taking any other client needs or circumstances into account, you are exempted from needing a licence. However, you will need to provide a disclaimer noting that you provide only tax advice, and that your clients must seek other advice from a licensed adviser.

But if you are taking other factors into account, such as when they can afford to retire or how they could use the funds, you will need a licence.

## 6. WHAT SMSF ACTIVITIES CAN I DO WITHOUT LICENSING?

The AFS licensing regime differentiates between advice and dealing (administration). If you're

giving SMSF advice, you need a licence. If you're carrying out only administration, there is quite a bit that you can continue to do without obtaining a licence, including: establishment and rollover paperwork, most administrative tasks, some SMSF strategy tasks, some contributions and pensions tasks, and some investment and implementation tasks.

[Find out more](#)

[Fact Sheet 4 - What SMSF activities can I do without licensing?](#)

## 7. IF I AM LICENSED BY AN INSTITUTION, WILL I BE EXPECTED TO PROMOTE THEIR PRODUCT?

It depends on the licensee, but probably not.

Most institutions (licensees) these days approve a broad product list, but you should check the detail before signing up.

Having said that, there are some other ways in which institutions may place restrictions on you.

Some licensees treat SMSF administration services as a 'product' that must be on their approved product list. If you have your own SMSF administration service, make sure there are no restrictions on continuing to offer this to your clients.

Another issue to be aware of is restrictions on referral partners. Most licensing options that accountants are considering do not allow specific product recommendations. You need to explore what your options are for this, particularly if you have a referral arrangement and want to continue with that partnership.

## 8. THE ONGOING COSTS SEEM EXPENSIVE. WHAT DO I GET FOR MY MONEY?

The ongoing costs for licensing vary enormously but in most cases get what you pay for.

With strategic licensing, typically it will cost between \$10-15,000 per annum per adviser. If you self-licence, the costs may initially seem quite low, but you will need to invest significant time and/or money to ensure you meet the licensing

obligations as well as the advice and dealing obligations. It's estimated that annual self-licensing costs won't actually be a lot less than costs for authorised representatives.

If you are considering becoming an authorised representative and the annual costs are around \$5,000 or less, you need to check exactly what you are getting. The licensee may have poor compliance practices, may offer minimal support, poor templates or minimal training. Alternatively, they may be running their licensee at a considerable loss, in which case, there are likely to be expectations of product revenue from their advisers.

If you're quoted between \$10,000 and \$20,000, you should be getting extensive templates which are updated in line with legislative changes, a sophisticated software system for generating advice templates, good technical support, 15 – 20 hours annual CPD and all your licence obligations taken care of.

More than \$20,000, and you should also be getting access to face to face practice management support and business coaching.

As with any such purchase, you need to check the fine print carefully. For example, how difficult is it to pull out of if you find the arrangement unsatisfactory? If you do pull out, do you or the licensee own the client base?

## 9. WHO'S GOING TO CHECK ON ME?

If you self-licence, ASIC will carry out random checks through means such as shadow shopping and auditing particular targets or topics. It's highly recommended that you engage an independent compliance firm to audit your operations and give you a clean bill of health each year. You will also have to monitor your own operations and report to ASIC certain breaches of your obligations – it is an offence if you do not.

If you become an authorised representative, your licensee should be auditing you each year. Accountants are not used to such regular audits, but a good auditor is there to both check your practices and to suggest improvements which can benefit your business.

## 10. DO I HAVE TO PREPARE A STATEMENT OF ADVICE (SOA)?

Yes. This applies whether you are self-licensed or an authorised representative, and whether you are giving narrow recommendations or strategic advice.

If you are the one providing the advice to the client, you are the one who needs to be licensed and preparing the SOA. You may also need to ensure that other disclosure obligations, such as providing an FSG, are met.

### 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.

Copyright © Licensing for Accountants. All rights reserved.  
Version 1 – January 2015