



AUTHORISATION OR LICENSING: WHAT'S IMPORTANT TO YOU?

A GUIDE FOR ACCOUNTANTS

Authorisation and licensing is a complex area and there are many factors to consider. If you wish to provide smsf advice you must either be authorised under an existing Australian financial services licence (afsl) or obtain your own afsl.

Before you make a decision it is important to review the implications and obligations associated with each option to ensure you make the right choice for your business and your advice needs. This document has been compiled by Capstone Financial Planning to draw your attention to key issues and considerations.

Authorisation or licensing: What's best for you?

The level of authorisation (or licensing) you require will largely be determined by the type of advice you wish to provide to your clients. Note that any limitation placed on the advice you can provide will be set by the Licensee or ASIC.

What's best for you: independent, institutional, or your own licence?

This is one of the main considerations in arriving at the most appropriate solution to suit your business and advice needs. Essentially you have four options and it's crucial to understand the implications associated with each option before you make a decision.

1. Choosing an institutional or bank owned licensee
2. Choosing a licensee who has institution or bank shareholding
3. Obtaining your own AFSL
4. Partnering with a national, independently owned licensee

What matters to you?

CHOOSING A LICENSEE WHO IS INSTITUTIONALLY OWNED (OR PART OWNED)

Should you choose a large institutionally owned licensee you may find that the business environment can be more restrictive. There may be some influence or requirement to support the products they offer which may limit your ability to provide your clients with a broader scope of advice. Larger groups often claim to offer substantial resources, however this usually comes at a cost.

OBTAINING YOUR OWN AFSL

With this option, you will need to apply to ASIC to obtain an AFSL. Although this option offers some flexibility, there are significant upfront and ongoing costs including training, compliance, and reporting requirements. You will also need sufficient internal resources including a responsible manager. Operating an AFSL carries considerable risk and responsibility which you should consider carefully before embarking down this path.

PARTNERING WITH AN INDEPENDENTLY OWNED LICENSEE

This option will suit accountants who feel strongly about independence and may require access to a range of professional support services.

I have RG146 Accreditation, do I still need authorisation or a licence?

Yes. If you wish to recommend the establishment or winding up of an interest in an SMSF you must be appropriately authorised or licensed under the AFSL licensing framework.

Should I get my own licence or become an authorised representative?

This decision will depend on your own situation and business requirements, however it is likely that most accountants will opt to become an Authorised Representative of an existing AFSL rather than applying for their own AFSL. The entry requirements, as well as the ongoing costs of management and compliance associated with holding an AFSL are significant. You may find that becoming an Authorised Representative makes sense from both a business operation and cost-benefit perspective. It's also important to consider that most accounting practices lack the internal personnel with the necessary skills and expertise to carry out the role of "responsible manager" for the licence.

If the ability to offer your clients holistic advice is important to you, then choosing a licensee that is independently owned and non-aligned with a financial institution or product provider will play an important part in your decision making.



THE CAPSTONE ADVANTAGE

Capstone is a leading independently owned Licensee with a national presence.

We have extensive backroom support usually only associated with large institutions, however the difference is we operate on a personal level – providing a tailored experience.

This offers greater flexibility and choice around advice solutions.

We offer four Authorisation Tiers and support our Authorised Representatives with training and education to suit your advice needs.

Should you find that your advice requirements change, we can adjust your authorisation level as long as you fulfill the qualifications and experience conditions.



QUESTIONS TO CONSIDER

- Will the Licensee provide you the opportunity to expand your authorisation level at a later point in time if you meet the training and education criteria?
- If your qualifications allow you to be authorised to provide product advice, what is the Licensee's Approved Product List (APL) and Research Process?



QUESTIONS TO CONSIDER

- Is there a structured training program in place to best support your ongoing learning?
- What is the quality of the content and frequency of the training sessions?
- When and where are the training sessions held?
- What are the prescribed hours of training per annum set by the Licensee for CPD?
- Are any costs incurred with the training?
- If you are considering applying for your own AFSL:
 - How will you facilitate your training or decide what external programs to attend?
 - How will you monitor and ensure CPD requirements are fulfilled?

Training

ASIC provides guidance on the minimum training requirements for an Authorised Representative. It's important to identify the initial training you will be required to complete in order to satisfy ASIC requirements. The level of training you need will vary according to the type of advice you intend to provide your clients.

In addition to the initial qualification requirements to become an Authorised Representative, you will also need to participate in ongoing training in order to maintain a competent level of knowledge and skill, as well as meet minimum continuing professional development (CPD) requirements. As such, you will need to ensure that the Licensee has sufficient resources to deliver the level of training you need on an ongoing basis. Please also be aware that a Licensee may set additional training or CPD obligations above ASIC requirements.



THE CAPSTONE ADVANTAGE

Capstone provides you with a professional induction session to ensure you are comfortable with our advice processes and requirements and to give you clear guidance and support upon authorisation.

Our annual training calendar incorporates regular programs specifically designed for SMSF Advice throughout the year. In addition, we also facilitate various other educational workshops and development days which you may attend.

We engage and partner with industry specialists to ensure quality programs are delivered.

Support services

A key benefit of joining a Licensee is that you may have the opportunity to access a range of support specialists. As your business evolves and develops over time (ie growth, acquisition, sale), you will most likely require additional support services. This level of support is normally only provided by large, institutionally owned Licensees.

Key support areas:

Do you know what support needs your business has either now or in the future for:

- Technical Support
- Compliance including Audits
- Software Providers
- Technology Support
- Advice Templates
- Practice Development
- Marketing & Communications
- Paraplanning Services

IF YOU HAVE YOUR OWN AFSL:

- How will you comply with minimum requirements?
- How will you source external experts to support your business?



THE CAPSTONE ADVANTAGE

With Capstone, you'll have access to all the support services you need to run a successful practice. Compliance support, training and advice document templates are included in our packages, and should you require assistance with the preparation of advice documents we have a strong relationship with a reputable paraplanning provider that offers high quality, customised advice documents delivered in a timely manner.



QUESTIONS TO CONSIDER

- What is the depth of experience and support offered by the Licensee?
- Are these services in-house or outsourced?



QUESTIONS TO CONSIDER

- Is it essential that you maintain your existing branding?
- What are the Licensee's branding requirements and how will this impact your business?
- What branding support is offered upon transition to a Licensee? (i.e. stationery guidance)
- If you choose your own AFSL are you aware of the minimum standards you must satisfy?

What about your brand?

It is important to discuss your branding requirements with a Licensee. Some Licensees require you to dual brand across all of your branding – meaning that both logos are depicted on stationery, website, advice documents and so on. Others will mandate that their brand is displayed prominently, whilst others will apply a minimalistic approach.



THE CAPSTONE ADVANTAGE

Capstone provides flexible branding options – you can continue to operate under your own brand with minimal changes. We support you through this transition process.

Capstone do not seek equal prominence of branding but rather take a minimalistic approach, however ASIC minimum standards require you to display the Licensee name and AFSL number.

Note: It is illegal to hold yourself out as an AFSL holder if you are an Authorised Representative (AR) of a Licensee.

Types of products you wish to offer clients

This is only relevant where you have been authorised to provide full financial advice, ie advising clients on specific financial products such as ABC equity fund or XYZ cash management fund. If this is the case, the Licensee or your own AFSL needs an investment process that will have an Approved Product List (APL) which governs your product advice. An APL contains approved investment, superannuation and risk products. Note if you have your own AFSL then it is your responsibility to ensure the products selected are researched and evaluated, appropriate for the client and suitably rated for inclusion on the APL.

Authorised Representative agreement and the Licensee

The Licensee is ultimately responsible for the advice you provide to clients. Licence conditions stipulate the type of financial services and products that the Licensee can provide. These conditions can be tailored to the Licensee's individual circumstances, including the types of clients that the Licensee provides financial services to or transacts with. Where appropriate, specific capacity, method and product limitations will be incorporated into this condition.

AUTHORISATION FEES AND CHARGES

It is important to understand the costs you will incur when joining a Licensee. Licensees generally charge either a flat fee per annum or a percentage of revenue received from clients. If you intend to set up your own AFSL there are a range of initial and ongoing fees as well as the cost of your own time. You must also take into account Professional Indemnity Insurance (PI) and ensure that the Licensee has sufficient cover.



THE CAPSTONE ADVANTAGE

Our representative agreements are regarded as simple and straightforward. There are no restrictions included that will hinder your current accounting business. We offer a flat fee structure which is inclusive of PI for Tiers 1 & 2. We do not charge any set up fees or any ongoing percentages of revenue.

You may choose to refer onto a Financial Planner of your choice for specific product advice. However, Capstone would be happy to introduce you to local Financial Planners in your area if the need arises.

After joining, if you then decide that Capstone is not the Licensee for you, provide 30 day's notice and you can leave with your clients and associated revenue stream. We recognise that you own the client and associated revenue stream. You retain the client files if you leave; however the agreement does require access, if needed, for a period of 7 years. This is usually only applicable if a claim or complaint occurs.



QUESTIONS TO CONSIDER

- Are there additional conditions or obligations on the Licensee?
- What risks may this pose for your practice?
- How easy is it to unwind the agreement if you wish to leave?
- Who owns the client and associated revenue?



FURTHER INFORMATION

For further information or to discuss an option that will suit your business requirements, please feel welcome to contact Capstone on:

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