ADDITIONAL INFORMATION

Replacement for accountants' exemption

New limited Australian financial services licence

Accountants and other advisers who obtain this new limited AFSL will be authorised to provide financial advice on self-managed superannuation funds (SMSF) and class of product advice about:

- superannuation products;
- securities;
- simple managed investment schemes as defined in the *Corporations Regulations 2001*;
- general and life insurance; and
- basic deposit products.

Class of product advice is financial advice that does not make a recommendation (in form or in substance) about a specific financial product.

Accountants will be able to make recommendations in relation to the client's existing superannuation funds to the extent needed when making a recommendation to establish an SMSF or when providing advice to clients on contributions or pensions. This will facilitate the provision of switching or consolidation advice involving SMSFs. Importantly, anyone making switching or consolidation recommendations involving SMSFs will still need to meet the obligations on superannuation switching and the best interests duty in sections 947D and 961B of the Corporations Act.

In addition, accountants will be authorised to deal (or arrange to deal) in a financial product to the extent necessary to set up a SMSF.

Examples of the types of advice accountants will be able to provide under the authorisations listed above include:

- advice on the sorts of life insurance cover (for example, life cover, total and permanent disability cover, trauma cover and income protection) that would be appropriate for a client in light of their relevant circumstances (for example, their existing level of cover) and whether they should hold the cover directly or through a superannuation fund;
- advice on which simple managed investment scheme would be appropriate for and in the best interests of a client – for example, cash funds versus equity funds;
- advice on whether shares are an appropriate investment option given a client's relevant circumstances including their tolerance for risk and whether alternative classes of product might be more suitable; and
- advice on the types of basic deposit products that would be appropriate for and in the best interests of a client saving for a home deposit (for example, term deposits, online savings accounts or first home saver accounts).

Streamlining arrangements

The streamlining arrangements will be available to accountants who hold a public practice certificate from one of the professional accounting bodies (CPA Australia, the Institute of Chartered Accountants in Australia and the Institute of Public Accountants).These arrangements will remove the need for ASIC to consider whether each individual accountant has the necessary experience to provide the kinds of advice listed above, making it easier for them to obtain a limited AFSL. After 1 July 2016, accountants seeking to obtain an AFSL will be required to satisfy the same experience requirements as anyone else.

However, accountants will need to meet ASIC's existing training requirements to hold a licence and provide financial advice. This will ensure only accountants with appropriate skills and knowledge are authorised to provide financial advice under the new authorisations. In addition, accountants that take advantage of the streamlined experience requirements will need to undergo a knowledge update review at the end of three years to ensure their skills are up to date.

Consideration will be given as to whether other professional qualifications could also form part of the streamlined arrangements.

Ongoing requirements

In order to minimise the additional regulatory costs of operating within the AFSL regime, holders of this conditional AFSL will be able to lodge a compliance certificate rather than an annual audit. Currently, all AFSL holders are required to undergo an annual external audit of their financial statements and internal controls to ensure compliance with the Corporations Act. The reduced audit requirement would be available to advisers who hold a limited AFSL and do not handle any client money in connection with the provision of financial advice.

As accountants will be operating within the AFSL regime, they will be subject to all the other licensing, conduct and advice requirements to which financial advice providers are subject, including Future of Financial Advice (FOFA) measures such as the best interests duty. This ensures there is a robust regulatory framework around the provision of advice and important consumer protections are in place. It also ensures that all advice providers are operating on a level playing field.

ASIC has committed to reviewing the minimum PI insurance requirements in its regulatory guides in light of the limited advice accountants would generally be providing. ASIC would need to undertake consultation and actuarial analysis based on established claims history for class of product advice before making a decision on the minimum requirement. This will include consultation with accountants on how any modifications to the professional indemnity insurance requirements interact with the existing professional indemnity insurance held by accountants.

SMSF Audits

When will auditor registration commence?

Auditors can begin to register with ASIC from 31 January 2013. Auditors must be registered by 1 July 2013 to conduct SMSF audits after this date.

Auditors who are required to sit the competency exam may do so from 1 July 2013 and will have until 30 June 2014 to complete the exam and become fully registered.

Will all SMSF auditors be required to sit a competency exam?

No, transitional arrangements have been developed for existing SMSF approved auditors to give recognition to highly experienced, competent auditors. Only auditors who sign-off less than 20 SMSF audits in the 12 month period prior to applying for registration will be required to sit a competency exam to become a registered SMSF auditor.

However, if an auditor registers without sitting the competency exam, ASIC may direct the auditor to sit the competency exam if issues regarding their competency are identified.

Why will auditors who complete less than 20 SMSF audits be required to sit a competency exam?

These auditors are of particular concern because SMSF audits do not form a significant part of their business and they may have little incentive to obtain and maintain adequate knowledge of superannuation legislation. Auditors in this group also account for a high proportion of the auditors who are subject to ATO disciplinary action.

This group of auditors will be required to demonstrate an adequate level of competency and knowledge by sitting a competency exam.

Will auditors have to sit a competency exam every year?

No.

Will all auditors have to meet the hours-based test to become registered?

No. Auditors that have signed off an SMSF audit in the 12 month period prior to applying for registration will be exempt from the hours-base requirement to be registered.

Will there be any ongoing registration requirements?

Consistent with obligations for members of the three professional accounting bodies, auditors will be required to undertake 120 hours of Continuing Professional Development (CPD) training every three years. Auditors will also be required to comply with the Accounting Professional and Ethical Standards Board’s APES 110- Code of Ethics for Professional Accountants as a condition of their registration. APES 110 allows the individual circumstances of an audit engagement to be taken into account and requires auditors to be independent both in fact and in appearance.

How much will it cost to be a registered SMSF auditor?

Auditors will be subject to a $100 registration fee and a $50 fee when submitting their annual statement to confirm details of their registration. Auditors will be subject to a $100 fee for undertaking the competency exam.