

A close-up photograph of a person's hands and forearms. The person is wearing a dark blue suit jacket over a light-colored shirt and a dark tie. Their hands are clasped together in front of them. On the left wrist, a watch with a round silver case and a brown leather strap is visible. The background is dark and out of focus.

IS SELF-LICENSING RIGHT FOR MY BUSINESS?

Questions to consider.

Establishing your own AFSL

Understanding your obligations:

Establishing your own Australian Financial Services Licence (AFSL) may bring benefits to you and your business. It allows you to take control of key decisions that you previously may not have been able to influence and many businesses believe it enhances your relationship with clients.

Although you gain increased freedom, choice and control, the overall level of responsibility significantly increases when your AFSL commences. You now have to comply with conditions on your AFSL and any other requirements that are set out by the financial services laws, all while ensuring the services are provided efficiently, honestly and fairly.

Benefits

Greater freedom and control over:

- Key decisions
- Financial Planning software Advice policies
- Research
- Use of platforms and underlying investments and insurance products

Obligations

- Significant increase in responsibility
- Comply with additional requirements set out by financial services laws
- Comply with conditions of AFS
Additional responsibility and liability



Establishing your own AFSL

Is your business ready?

Not all businesses are ready to go out on their own and become self-licensed, and that's okay.

Some may be ready now, some may need more time, while others may decide to change licensees.

This guide outlines some of the key areas that you may wish to consider when deciding whether the move to running your own AFSL is right for your business.



What is Involved?



**Who will be your
support partners?**



What are the costs?



WHAT'S INVOLVED?

If you are considering establishing your own AFSL you need to firstly understand all the obligations and requirements.

To understand this, let's explore the three key stages.

Establishing your own AFSL

Primary considerations

Initial considerations may include:

- How much will it cost?
- Do you have the scale and resources to manage your own AFSL?
- Does your business have the skills and capabilities required?
- How much time can you dedicate to running your licence, whilst also running your business?
- What is your future vision for your business?
- Who can be a Responsible Manager and what are their obligations?
- What additional risks are you exposing your business to?
- How will you get practical insights into what is involved?
- Who will help you to make informed decisions?
- Who will assist you with governance and compliance?

What are the general obligations of a licensee?

The Corporations Act (2001) requires licensees to:

- Do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly;
- Comply with the conditions of the licence;
- Comply with the financial services laws (and take reasonable steps to ensure its representatives comply with financial services laws);
- Maintain competence to provide those financial services covered by the licence (and ensure that its representatives are adequately trained and competent to provide those services);
- Have adequate arrangements in place to manage conflicts of interest;
- Have adequate financial, technological and human resources to carry out business and supervise its representatives;
- Have a dispute resolution system; and
- Establish and maintain adequate risk management systems.

Establishing your own AFSL

Transitional considerations

To ensure that your business continues to run smoothly as you move to your own AFSL, you will need to understand:

- What are all the steps involved and when do these steps need to be undertaken?
- What requirements and notice timeframes are in place to exit your existing licensee?
- Who will help you apply for your AFSL?
- Who will be your Responsible Manager(s)?
- What will your corporate structure be?
- What financial planning software should you use?
- How will you transfer your revenue?
- Who will provide your professional indemnity insurance?
- Who will provide your investment and insurance research?
- Who will you appoint as your financial auditor?
- How will you communicate the change to your staff and clients?
- How will you set up and maintain your advice documents and policies?

Who can you nominate as a Responsible Manager?

We suggest reading ASIC Regulatory Guide 105: Licensing: Organisational Competence for detailed guidance around who you can nominate as a Responsible Manager.

ASIC has provided the following guidance:

- The people you nominate as Responsible Managers need to have direct responsibility for significant day-to-day decisions about your financial services.
- The people you nominate as Responsible Managers also need appropriate knowledge and skills for the financial services and products their role relates to.
- When nominating your Responsible Managers, you also need to ensure they are of 'good fame and character'.

The Principals' Community Transition Support will project-manage your licence application and transition out of your current licensee every step of the way.

Establishing your own AFSL

Ongoing considerations

How will you comply with the licensee obligations and additional legal requirements?

- How will you manage the ever-changing regulatory environment?
- What governance and compliance support will you need?
- Who can provide your business advice and guidance?
- How will you ensure your technology solutions evolve as your business does?
- How will you monitor and supervise your representatives?
- How will you provide professional development to your representatives?
- How will you stay connected with what your peers are doing?

Peer to peer support:

One of the comments often heard when a practice has commenced its own licence is the loss of their peer-to-peer support network and how isolated they now feel. This network would normally have been provided through licensee events such as Professional Development Days, conferences and state-based forums.

The Principals' Community is one way to remain connected to a local and national network of like-minded peers, offering a range of events to help you continue to build your professional network and connect you with others who are running a self-licensed firm.

Members of The Principals' Community can subscribe to our Governance Support, which provides Responsible Managers and key staff with ongoing support including structured meetings, training and assistance with enquiries to help manage the AFSL.



WHO WILL BE YOUR SUPPORT PARTNERS?

Understanding the support you will need is also a crucial element to consider.

Establishing your own AFSL

Compare: Being part of a dealer group or network

When you are part of a dealer group or larger institution there is generally a vast support network to help you manage your business. An important decision when becoming self-licensed is who your business support partners will be going forward.

With a dealer group comes a suite of business support tools – everything from your CPD provider, to client newsletters, paraplanning support and more. Once you get your own licence, choosing the right professional partners to provide high quality support is important.

Following are some areas where you may consider engaging a support partner:

- AFSL application
- Governance and compliance support
- Transitioning from your existing licensee
- Professional development
- Advice software
- Revenue collection/payment systems
- Financial audit of the licence
- Professional indemnity insurance
- Research
- Legal advice

Our community offers access to a range of practice services including customisable client marketing, professional development and networking events. You also get access to negotiated pricing from third-party service providers such as research houses and advice software companies.



WHAT ARE THE COSTS?

A key factor to consider are potential costs of establishing and running an AFSL

Establishing your own AFSL

Understanding the costs

When you are part of a dealer group a large proportion of costs are absorbed into the overall expense of running the licence. Therefore, when you commence your own licence, you may not be aware of all the costs you may encounter.

What are the types of costs you may incur?

- Other professional services/associations
 - Education costs (e.g. PD days, CPD)
 - Transition support
 - Revenue collection support
 - Research
 - Cost of meeting ongoing compliance and governance requirements (e.g. external audit, compliance manual)
 - Disclosure documentation (e.g. FSG, SoAs)
 - Increase in staffing levels required to support the new obligations.
- AFSL application fees
 - Annual ASIC costs
 - AFCA membership fees
 - Professional Indemnity Insurance premiums
 - Adhoc legal services
 - Technology costs (including advice software migration and maintenance)
 - Charges for accountant/audit services

What's Next?

Speak with our Principals' Community team to find out more.

Kon Costas

Managing Director
Kon@principalscommunity.com.au
0407 365 773

Luke Carrington

State Manager QLD and WA
luke@principalscommunity.com.au
0402 757 619

Adam McGuren

National Manager
Adam@principalscommunity.com.au
0421 616 591

Sam Rubin

State Manager VIC and TAS
Sam@principalscommunity.com.au
0411 074 437

The Principals' Community



Disclaimer

This document has been prepared by The Principals' Community Pty Ltd ABN 85 654 340 897 (TPC). It does not contain, and should not be taken to contain, any financial product, legal, taxation or other advice. You should seek legal or other professional advice as applicable. TPC does not represent or warrant in any way that the information contained in this presentation pack meets the requirements or particular business objectives of an adviser or Australian Financial Services Licensee (Licensee). TPC does not accept responsibility for your obligations as an adviser or Licensee. The adviser or Licensee is solely responsible for its obligations and ensuring they meet them. This document must not be copied, used, reproduced or otherwise distributed or made available to any client or third party, or attributed to TPC, without the prior consent of TPC. Current as at January 2024.