



Corporations and Schemes Unit
(CSU)
Financial System and Services
Division
The Treasury
100 Market Street
Sydney NSW 2000
Email: asicfunding@treasury.gov.au

1ST November 2017

Dear Sir / Madam

Industry funding model for ASIC

Easton Investments Limited (Easton Board) welcomes the opportunity to provide feedback on the proposed industry funding model for ASIC.

The Regulator plays a fundamental role in ensuring the confidence and protection of consumers which

is paramount to the effective and sustainable operation of the financial services sector in Australia.

However, we are very concerned about the inequity of the proposed funding model, in particular its impact on accountants with limited licenses or authorities.

Easton would welcome the opportunity to discuss with you the issues raised in our submission.

If you have any questions, please contact me on 02 8074 8599 or gevans@gpswealth.com.au

Regards

Grahame Evans

Managing Director GPS Wealth Ltd / Merit Wealth Pty Ltd



**Submission in
Response to the
Cost Recovery Implementation
Statement (CRIS):
Levies for ASIC industry funding
(2017–18)**

**“an inequity exists for accountants with limited licenses
or limited authorities”**

Prepared by:

J. Greg Hayes CEO Easton Investments Limited

Grahame Evans Managing Director GPS Wealth Ltd

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1. Purpose of this Submission

The accountancy profession since the 1st July, 2016 has been required to be licensed by the Regulator or authorised by an Australian Financial Services Licensee, to provide SMSF advice to their clients. We estimate, when taking into account the major providers of limited authorisations and the number of limited licenses issued that we have somewhere between 2,500 and 3,000 accountants in the limited authority space. This represents a little over 10% of the authorised representative universe of circa 22,000 on ASIC currently.

SMSF activity, in the main, is a small component of most accountancy practices with the primary activities of the accountancy practice being the provision of taxation advice and services, financial reports and business advice.

It appears that whilst ASIC has noted it will be focusing part of its efforts in 2017-18 on accountants¹ including “unlicensed financial advice” and the quality of SMSF Advice and Accountants Limited services, we assert that there is an inequality in the levels being charged between advisers that are operating under an AFSL as a full time adviser and accountants who have a limited license or authority which is used for limited advice.

The timing of the removal of the Accountant’s Exemption and the timing of the CRIS are coincidental but it appears that no consideration has been given to this inequity.

We believe that accountants with limited authorities or limited licenses should be placed in a separate category and a reduced levy, representative of the time spent in AFSL world and the associated reduction in risk.

We also believe that this acts as a deterrent to accountants being licensed or authorised as the cost as a percentage charged by industry would result in at least a 20% increase in costs whilst it is likely to be less than 2.5%.

We politely request consideration for a reduced levy for accountants with a limited license or limited authorities.

¹ 18 Pg27 ASIC’s Corporate Plan 2017-/18 to 2020/21



We commend this report to you and thank you in anticipation of your consideration.

2. Who is Easton Investment Limited (Easton) and what are our credentials to make this submission?

Easton is a company listed on the ASX which has a range of subsidiaries that provide services mainly to the accounting profession as well as financial advice.

It's diversity primarily revolves around services to the accounting profession which are highly recognised and acclaimed by accountants in public practice including:

- **Knowledge Shop** – Training, education and technical services to over 1,800 accountants
- **Merit Wealth** – An AFSL to provide limited authorisations for accountants as well as referral services to full advisers
- **Law Central** (60%) – On line legal documentation to assist accountants
- **PantherCorp** – Corporate Registry
- **First Financial** (25%) – Melbourne CBD based salaried advice business
- **Hayes Knight** (40%) – Accounting & Taxation Practice

Easton recently acquired GPS Wealth to enhance its wealth offering.

GPS Wealth also provides limited authorities for accountants in the SMSF space as well as referral services for full advice.

Overall the Easton Group has:

- 377 accountants authorised with limited authorities
- 98 accountants in progress to obtain limited authorities
- 157 advisers who offer a range of advice services



Easton believes, through its subsidiaries, that we have extensive experience and knowledge to represent the accountants in the limited licence & limited authorisation space in respect to this matter.

3. Inequity of the Proposed Process for Limited Licences and Authorities

Financial advice in relation to SMSF's is only a very small component of the day to day operations of public practising accountants. According to the 2015 industry report¹ the average practice spends 10.3% of their time on SMSF in total, including advice, administration and review.

Unlike their full financial planning cousins, the SMSF advice runs a long second to their overall accounting work.

a) ASIC's Corporate Plan 2017/18 to 2020/21

The Corporate Plan highlights three areas which ASIC will be working on which relate to the accounting profession. We would like to make the following points, with respect:

1. **Unlicensed accountants**

This raises the important question: why should licensed accountants (or full advisers for that matter) pay for ASIC to investigate unlicensed accountants? This seems substantially inequitable, that the people who are breaking the law and not paying the levy are subsidised by the people who have done the right thing and become authorised or licensed.

2. **Accountants – limited licenses**

It is highly coincidental that the removal of the Accountant's Exemption with its resulting implementation challenges such as ensuring people are doing the right thing, and the imposition of the user pays model are happening at the same time.



In other words, we would argue that whilst licensing of accountants and identifying unlicensed accountants is an important focus, accountants should not be burdened fully with the cost recovery as it is a timing issue and will reduce as limited licensing and its associated complexity is embedded and it becomes the way accountants do business on a day to day basis, just as GST did in 2000.

b) Risk Weighting

Additionally, we would like to point out that the risk weighting in respect to the limited scope of authorisations with limited license or limited authorities is significantly less than those advisers with “full” authorities.

Limited authorities do not give authorisation to advise on for example:

- Where investments are placed and associated risk profiling
- What level of insurance is required and what policy should be commenced

Both of which present consumers with much greater risk than the varying costs in establishing SMSF versus an industry fund or retail fund. Whilst it is acknowledged that the FOS 2016-17 report identifies SMSF advice as the largest complaint of the superannuation sector, there is no breakdown regarding the “advice” categorisation. For example, was it in relation to setup or investment? In either case accountants are only able to advise on setup which the impact to clients would arguably be minor in relative terms.

c) Disincentive to become or remain licensed or authorised.

We also believe that paying these full costs acts as a deterrent to accountants being licensed or authorised.

With the mooted cost of circa \$900 per authorised representative, the percentage increase of the current annual fee (for example \$3,600 for Merit Wealth limited authorities) is at least a 20% increase in costs for limited authority.

From an equity perspective, the average cost charged for a full service authorised representative is anecdotally \$44k. Then the likely percentage



increase is substantially less at 2.5%, nearly a ten fold difference to accountants.

4. Identification of Limited Authorised Representatives and Limited License Holders

Identification of holders of a limited AFSL available following the removal of the Accountants Exemption will be through ASIC's records as these are licensees and by nature of their special conditions, i.e. no audited financial statements, will no doubt be segmented and categorised by ASIC.

However, identification of Authorised Representatives limited to SMSFs to mirror limited licensing in their ability to provide advice in SMSF's only (and in some cases class of product advice (general advice) is expected to be a little more difficult but not impossible. Identification through the Financial Adviser Register (FAR) for people who show both a limitation on their advice, see below can be extracted.

3.1 Extract from Financial Adviser Register- SMSF authorisations

For business name details, click on the Australian Business Register (ABR).

3/2/2016 - ongoing

GPS WEALTH LTD (licence holder) ⓘ

Number: [000254544](#)
ABN: [17 005 482 726](#)
Controlled by: ⓘ EASTON INVESTMENTS LIMITED

Authorised representative ⓘ

Name: M&P ADVISORY PTY LIMITED
Number: 001238985
ABN: [44 609 453 769](#)

JARED BOYD PEARSON can advise on the following product areas

- Provide financial product advice
 - Superannuation
 - Superannuation - All

Restrictions
Limited to Self - Managed Super Funds



If you couple this with the fact that they are also either a CPA, IPA or CAANZ member, you can isolate these people.

3.2 Extract from Financial Adviser Register- Accountancy Memberships

Memberships

This section tells you if the adviser is a member of any professional bodies or industry associations relevant to providing financial services.

- Chartered Accountants Australia and New Zealand (CA)
- Certificate of Public Practice

These two will allow ASIC to segment a different category of financial adviser.

5. Conclusion

We believe there is significant disincentive for accountants in the limited authority space to remain licensed or to become licensed or authorised. The major factors are:

- SMSF work is circa 10% of their overall accountancy business
- As a % of the fees they pay to be authorised compared to full service advisers the new levy is ten fold.
- The risk to consumers with SMSF set ups from a dollar perspective is substantially less than other advice relating to investment and insurance.
- The fact that the ASIC Corporate Plan has a number of areas of focus involving accountants is purely coincidental and really relates to the timing of the removal of the Accountant's Exemption.

On this basis, we request that you consider a reduced fee for accountants with limited authorities or licenses whose authorisation relates only to SMSF establishment and related matters. We would recommend a fee closer to \$300pa i.e. one third of the potential fee as a fair & reasonable levy for the accountants.

ⁱ "The Good, the Bad and the Ugly of the Australian Accounting Profession 2015" Business Fitness



Appendix

Biographies

(John) Greg Hayes

B.Bus, FCPA, CTA – Managing Director, Easton Investment Limited

Greg is the founder and Chairman of Hayes Knight and is well known in the accounting profession. He is specialist business valuer, and recognised practice management specialist and an author in both of these disciplines. He is also the founder and a director of Knowledge Shop Pty Ltd and Merit Wealth Pty Ltd, entities that provide practice support and financial services distribution to the accounting profession in Australia. In 2014 these businesses were taken into the listed market through Easton Investments and Greg was appointed the managing director.

Grahame Evans

GAICD, Dip SM, MBA – Managing Director, GPS Wealth Ltd / Merit Wealth

Grahame has been extensively involved with the financial services industry for over 35 years.

He has held a variety of board positions including Chairman of Australian, Canadian, Singaporean & Chinese investment & advice businesses and also as a director of Malaysian and New Zealand companies. He is a regular speaker at conferences both in Australia and overseas and holds an MBA from the prestigious Australian Graduate School of Management, voted in the top 10 management schools in the Asian region.

Grahame's executive roles have included CEO Investments for Tower Australia, Managing Director, AMP Consulting and Group Managing Director of Centrepont Wealth.

He is currently Chairman & NED of DomaCom Limited and an executive director of GPS Wealth Ltd and Easton Investments Limited