

A PRACTICAL GUIDE

To Key Australian Financial Services Licence Requirements

Summary tables below are for guidance only on major areas of compliance for the specified categories of Australian Financial Services Licence.¹

CRITERIA	FINANCIAL PLANNERS & WEALTH ADVISORS		CUSTODIAL SERVICES PROVIDERS			RESPONSIBLE ENTITIES FOR REGISTERED SCHEMES	
	3 month cash flow forecast option ²		Incidental provider		Non-incidentual provider	Custodial requirements met	Custodial requirements not met
	Option 1	Option 2	Custodial services not outsourced	Custodial services outsourced ³			
3 month cash flow forecast	Y	Y	N/A	N/A	N/A	N/A	N/A
12 month cash flow forecast	N/A	N/A	Y	Y	Y	Y	Y
Net Assets⁴	>0	>0	>0	>0	>0	>0	>0
Net Tangible Assets⁵	N/A	N/A	>\$150k	N/A	>\$10m	>\$150k	>\$10m
Cash	>20% x 3 months of payments ⁶	N/A	>\$75k	N/A	>\$5m	>\$150k	>\$5m
Liquid Assets	N/A	N/A	>\$150k	N/A	>\$10m	>\$150k	>\$10m
Surplus Liquid Funds							
Only if you hold client assets (including as trustee) >\$100k					>\$50k		
Otherwise					N/A		
Adjusted Surplus Liquid Funds⁷							
Only if you transact with clients as principal and your current liabilities >\$100k					>\$50k+		
Otherwise					N/A		
“Trust” accounts							
Maintenance of a separate “trust” account	Required if you receive client monies at any time other than as remuneration for services provided to your client						

¹Summary tables are not a comprehensive statement of all applicable requirements. Actual requirements are defined in the licence itself, the Corporations Act 2001 (“the Act”) and the sundry related Class Orders issued by ASIC (collectively “the AFSL rules”) and may also be different for other types of licensee not included in the table. Only actual thresholds should be used in any compliance assessment or reporting. All terms used are as defined in the AFSL rules. These terms have specific definitions which may be different from common sense definitions.

²There are also Options 3, 4 and 5 but these are rarer for the categories of licence set out in the table.

³If custodial services are outsourced, this must be done in the manner prescribed in the AFSL rules.

⁴Net Assets and all other balance sheet covenants assume that Accounting Standards have been applied.

⁵The values given for Net Tangible Assets, Cash and Liquid Assets where applicable, are the lowest possible values. The actual requirements are based on the greater of the values presented here and other specific measurements.

⁶The greater of 3 months of forecast payments and the 3 month average of actual payments in the last financial year.

⁷Adjusted Surplus Liquid Funds, where applicable, is calculated on a sliding scale based on the value of liabilities. \$50,000 is the minimum possible ASLF.

OTHER OBLIGATIONS

In general, the licensee has a statutory obligation (s912D of the Act) to report to ASIC within 10 days if the licensee believes that the licensee may be in breach of the AFSL rules.

In addition, the auditor has a statutory obligation (s990K of the Act) to report to ASIC (and send a copy to the licensee) within 7 days if the auditor believes that the licensee may be in breach of the AFSL rules.

AFSLs which have not provided a financial service for 6 months are required to notify ASIC within 15 days after the 6 months.

Calculation of thresholds	\$
Net Assets (in accordance with Accounting Standards)	X
Less: (main exclusions only)	
Intangible assets	(X)
(Net) deferred tax assets	(X)
Excluded receivables from parent, subsidiaries or fellow subsidiaries	(X)
Net Tangible Assets	X
Less: Non-current assets	(X)
Add: Non-current liabilities	X
Surplus Liquid Funds	X
Less:	
Standard adjustments (as defined) by the licence	(X)
Adjusted Surplus Liquid Funds	X

Definition of "Liquid assets"	\$
Cash and cash equivalents	X
Assets which can be realised at market value within 6 months	X
Liquid Assets	X

LEARN MORE

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Pilot has extensive experience helping AFSL businesses with accounting, audit and advisory services, including:

- Audit services;
- Advice on compliance requirements and risk management;
- Design of cash flow forecast models;
- Preparation of financial reports; and
- Accounting, tax and structuring services.

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