



AFSL No: 430062 | ABN: 64 155 907 681
29-33 PALMERSTON CRESCENT, SOUTH MELBOURNE, VIC, 3205
PHONE: 1800 906 456 | FAX: 1300 306 351
info@san.com.au | www.san.com.au

8 March 2018

The Honourable Kenneth Hayne AC QC
Commissioner
Royal Commission into Misconduct in the Banking, Superannuation and Financial Services
Industry
By email: FSRCsolicitor@royalcommission.gov.au

Dear Sir

SMSF Advisers Network Pty Ltd

I refer to your letter of 15 February 2018 requesting information in respect of misconduct of which SMSF Advisers Network Pty Ltd (SAN) is aware. SAN's response is set out below and in the attached Schedule.

Executive Summary

SAN is the holder of an Australian Financial Services Licence (AFS licence) – Number 430062. SAN is owned by the National Tax and Accountants' Association Ltd (NTAA). Its purpose is to offer NTAA members the ability to be authorised to provide financial product advice relating to the establishment of Self Managed Superannuation Funds (SMSFs), following the repeal of regulation 7.1.29A of the Corporations Regulations 2001 (Cth) on 1 July 2016 (commonly referred to as the accountants' exemption). From 1 July 2016, recognised accountants were required to be covered by an AFS licence in order to give advice to their clients about acquiring or disposing of an interest in a SMSF.

Under the AFS licence, SAN is authorised to carry on a financial services business to:

(a) provide financial product advice for the following classes of financial products:

(i) deposit and payment products limited to:

(A) basic deposit products;

(B) deposit products other than basic deposit products;

(ii) life products limited to:

(A) life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

(iii) interests in managed investment schemes including:

(A) investor directed portfolio services;

(iv) securities; and

(v) superannuation; and

(b) deal in a financial product by:

(i) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:

(A) deposit and payment products limited to:

(1) basic deposit products;

(2) deposit products other than basic deposit products;

(B) life products limited to:

(1) life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

(C) interests in managed investment schemes including:

(1) investor directed portfolio services;

(D) securities; and

(E) superannuation;

to retail and wholesale clients.

Restriction of Licence

SAN has restricted the advice that can be provided by its Authorised Representatives (**ARs**), to the provision of advice to retail and wholesale clients in relation to Superannuation, including SMSFs.

The typical client of an AR of SAN will require advice on the appropriateness of setting up or winding up an SMSF; advice regarding Limited Recourse Borrowing Arrangement structure; what contributions they should make to their superannuation fund; setting up and ongoing advice regarding pension accounts.

The NTAA

The NTAA is a not for profit association dedicated to assisting accountants, tax agents, tax advisers, and businesses in resolving their tax issues.

Formed in 1992, the NTAA currently has over 10,000 member practices subscribing to its services. These services include various seminars, publications and the latest IT software, as well as providing a hotline for members to call with tax related questions.

The mission of the NTAA is to meet the needs of the members in relation to their taxation issues, with the objective being to provide "Practical Solutions to Complex Issues".

Software Development

SAN has designed and built the "SAN SOA Assist" to support the generation of advice documents through electronic means. This software maintains the client files. Currently, the software is maintained by the Software Development Manager and supported by the Administration and Compliance teams.

Information Technology

A website has been designed and built to support the requirements for communication with Authorised Representatives and also to deliver Continuing Professional Development (CPD). The Information Technology team is currently maintained by the Senior Full Stack Developer and supported by the Administration and Compliance teams.

External Dispute Resolution Scheme

SAN is a current member of the Financial Ombudsman Service (FOS).

Misconduct

The table contained in the Schedule to this letter identifies instances of misconduct of which SAN became aware at any time since 1 January 2013 as requested. However, there was only limited activity under the SAN AFS licence until 1 July 2016 when the accountants exemption was repealed.

The table records seven (7) instances of misconduct, each relating to the provision of a Statement of Advice (**SoA**) to a client by an authorised representative (**AR**) under Part 7.7 of Chapter 7 of the *Corporations Act 2001* (Cth). The instance reported on 28 February 2017, is currently being considered as part of a broader surveillance by ASIC, which commenced in February 2017 and remains ongoing.

ASIC's surveillance was initiated due to a significant increase in the number of ARs operating under SAN's AFS licence since July 2016 following the repeal of the accountants' exemption. As part of the surveillance, ASIC is seeking to understand whether SAN has adequate resources, systems and processes to ensure that its ARs comply with financial services laws, in particular the obligation of SAN to take reasonable steps to ensure its representatives comply with certain duties of ARs introduced under the Future of Financial Advice reforms, specifically the duties to act in the best interests of the client (s961B), give appropriate advice (s961G) and prioritise the interests of the client (s961J).

Conclusion

SAN applies restricted authorisations to its ARs to only authorise the provision of superannuation and SMSF related advice only. With the support of the NTAA, which is regarded as being an expert in the SMSF field along with taxation, SAN is filling a major need for the accountancy profession for those accountants who wished to be able to continue to provide advice to their clients about acquiring or disposing of an interest in a SMSF after 1 July 2016.

This includes being able to provide the highest quality advice to clients in a compliant way that mitigates risk for the client, the authorised representative and the licensee.

The ability to provide high quality SMSF advice is well supported by the culture of excellence and a commitment to ongoing education, both of which are crucial in this specialised area of advice.

Yours sincerely



Geoff Boxer

Director

SMSF Advisers Network Pty Ltd

Encl: Schedule – Response Table - Identified Instances of Misconduct