

**ADVANTAGE**  
**PARTNERS**

REGISTERED TAX AGENTS  
CERTIFIED PRACTISING ACCOUNTANTS



7 September 2010

The Chairperson  
Accounting Professional & Ethical Standards Board Ltd.  
Level 7, 600 Bourke Street  
MELBOURNE VIC 3000

Dear Sir/Madam

**RE PROPOSED STANDARD: APES 230 FINANCIAL ADVISORY SERVICES**

As a relatively small accounting practice in rural Western Australia we would like to express our concerns with the proposed standard: APES 230. In our firm there are 5 members of CPA who are also authorised representatives of Count Financial Ltd. As a whole we do not support the proposed standard and our main concerns are as follows:

1. As a firm we have spent a significant amount of time dealing with clients who have difficulty affording financial advice but yet desperately need financial advice. In the publication by the APESB we quote, "*It is proposed that these requirements will apply to all new and existing Clients (including those from whom trailing income is being received) of Members from the commencement date of this standard.*" To allow us to assist clients who have difficulty affording financial advice our firm has made use of trailing commissions. This is best explained by way of an example. A young family is just making ends make and needs help to plan an effective household budget and implement a savings plan to achieve their longer term goals. Our firm would incur costs of around \$1500 to prepare and implement a statement of advice for this family. However, there is very little initial investment and the family is in no position to pay \$1500 up front for that advice. Rather than send the client away, we have been willing to accept virtually no remuneration up front on the assumption that the trailing commissions we receive over the next 5 to 10 years would recoup our initial costs of \$1500. We realise that a "fee for service" scenario could achieve a similar outcome if the client were to pay our firm in small installments. However practically this is much harder to implement and now to retrospectively apply the proposed standard to all existing arrangements will result in our firm incurring a substantial loss on work that has been done in the past 3 or 4 years.
2. We realise the board is looking at this issue from an ethical perspective. However, has the board considered the ethical responsibility of the accounting bodies to ensure that clients who need financial advice but have difficulty affording advice, still receive it?

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Since the release of the proposed APES 230 our firm has been inundated with recommendations from industry bodies suggesting that we focus on only servicing clients who can pay up front for financial advice. Although this is not our preference, we have to agree that if APES 230 is introduced in its current form, it will no longer be viable for our firm to service smaller or lower income earning clients who cannot pay up front for advice. Where will these clients go for financial advice?

3. Considering the work and recommendations of the Jeremy Cooper Review we have difficulty in understanding why the accounting bodies all of a sudden now need to duplicate the investigations into this issue. Are the accounting bodies not satisfied with the work of the Cooper Review Committees on this issue?
4. Yes we have no difficulty acknowledging that members of the accounting bodies need to avoid conflicts of interest especially in relation to fees and also need to be seen to be avoiding conflicts of interest. However to conclude that members of accounting bodies are unable to mitigate the risk from conflicts of interest posed by trailing commissions on risk insurance products, and from say very small investment and superannuation balances, to the extent that they are not competent enough to receive any income at all on a commission basis, seems to swing too far to the other side.
5. The commencement date of 1 July 2011 is unreasonable. The proposed standard requires very substantial changes to the way member firms operate. Admittedly, most firms are already shifting towards fee for service on financial advice. However, this change is being structured and implemented with the date specified by the Cooper Review in mind and to now bring forward a lot of structural changes so that everything is done in the next 9 to 10 months is unreasonable.

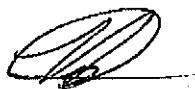
We wish the board the very best in their deliberations and want to reassure you of our support for vigilant monitoring of the ethical standards of all members of the accounting bodies. We are well aware that members of the accounting bodies are placed in a position of trust with their clients and need to maintain and exhibit high ethical qualities. Since our firm commenced in 1997 (1999 for financial planning) we have not had a complaint from a client in relation to the ethical standards of any of our staff and we pride ourselves on upholding the good professional image portrayed by the accounting bodies.

Yours faithfully



Jack Van Duyn FCPA

Marcel Bax CPA



Robert Dekker FCPA



John Witten CPA



Bryant De Vos CPA