



15 October 2010

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

Dear Sir/Madam

Comment on ED 02/10 Proposed Standard APES 230

As a fellow of the Institute of Chartered Accountants and long standing member of the Financial Planning Association I feel the need to make comment on the proposed Standard.

I agree that clear guidance on professional standards of advice will provide consolidation of the current level of high quality financial advisory service being provided by Accounting professionals.

However, I cannot in any way, agree with the changes to the proposed Fee for Service remuneration model by banning percentage based asset management fees.

Percentage Based Asset Management Fees

The imposition of such a measure on Accountants will create a significantly uneven playing field in the Financial Planning industry.

You would be aware that the vast majority of financial planning advice in Australia is not provided by Accountants, so automatically there would be a market imbalance if the proposed APES 230 was adopted, placing our Profession behind that of the Financial Planning Association.



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Fees, regardless of how they are calculated, need to be clearly disclosed and understood by the client. Disclosure and understanding are the real issues here, not the calculation method used in determining the fee.

As you would be aware, the majority of non-accountants are aligned with financial product providers such as banks and insurance companies. Should APES 230 be adopted, it is inevitable that non-Accountants will secure greater market share as it will be difficult for Accountants to compete on commercial grounds.

I fail to understand why APES 230 would even be suggested.

It is totally illogical why Accountants will be required to adhere to work practices others in the financial planning industry will not be required to follow. Creating disincentives for Accountants in the financial planning industry will result in the overall decline in the quality of financial advice in Australia.

The Accounting Professional & Ethical Standards Board (APESB) should be encouraging Accountants to be financial planners rather than creating these uncompetitive hurdles.

Whilst no doubt drafted with the best intentions, the exposure draft has failed to consider the uneven playing field and adverse commercial ramifications for Accountants in the financial planning industry.

Fewer Accountants in the financial planning industry will result in it remaining an industry, and never progress to the standard of Profession.

In conclusion, I believe that the exposure draft should be amended to remove the ban on percentage based asset management fees.

Yours faithfully



Phillip Smith

Partner

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