

**ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED**  
**MINUTES OF THE 3<sup>rd</sup> MEETING OF APES 230 FINANCIAL ADVISORY SERVICES**  
**TASKFORCE**

**21 April 2009 from 2:00 – 3:30**

**Teleconference**

**1. Present and Apologies**

Present:

Mr Reece Agland, Mr Hugh Elvy, Mr Channa Wijesinghe (Chairperson), Mr Robert M.C. Brown, Ms Suzanne Hadden, Mr Michael Davison,

In Attendance:

Ms Kate Spargo, Mr Roshana Nanayakkara, Ms Keddie Waller

Apologies:

Mr Harry Moyle

**2. Minutes of previous meeting**

The minutes of the 2<sup>nd</sup> Financial Advisory Services Taskforce meeting held on 17<sup>th</sup> July 2008 were accepted without amendment.

**3. Discussion on comments received on the Financial Planning Consultation Paper**

- The Consultation paper addressed the following key areas:
  - Application and scope of the proposed APES 335;
  - Overarching guiding principles for the provision of financial and investment advice;
  - Independence and the impact on current remuneration models;
  - Potential threats to compliance with APES 110 and APES 335;
  - Holding and receiving client monies;
  - Quality assurance.
  
- The taskforce members had an in depth discussion on the respondents comments and proposed the following:
  - The standard should be applicable to all members whether in public practice or business;
  - The taskforce to consider and assess the different kinds of financial planning engagements and the impact these engagements may have on professional obligations of members;
  - The definition of financial advice to be expanded to include procurement of loans, margin lending and other gearing strategies;
  - The public interest and fiduciary obligations of members to be considered in the development of the proposed standard;

- There will be circumstances where the concept of independence is applicable in financial advisory services and needs to be addressed in the proposed standard;
- The proposed standard to consider the remuneration of members who provide financial advisory services and make a clear statement on professional fees. The taskforce's view is that remuneration structures that are based on commissions, % of funds under management or any other remuneration structure that encourage sale of products or funds under management creates threats to the fundamental principles and must be discouraged. Given the current global financial crisis ( and local examples such as Storm Financial, Opes prime and WestPoint), the remuneration principle in APS 12 (issued in 2005) seems ahead of its time when it strongly recommended that a member should charge a fee for service similar to any other professional service provided by a member. The taskforce believes that fee for service will minimise conflicts compared to the other more prevalent fee structures in the financial planning industry;
- The remuneration disclosure requirements and the alternative remuneration schedule in APS 12 must be carried forward to the proposed new standard;
- In respect of Client Monies, a cross reference to be provided to the APESB standard dealing with Client Monies;
- Quality Control obligations of members in public practice to be addressed in the proposed standard;

#### **4. Way forward**

Present the respondents comments and taskforce observations to the APESB Board meeting in May 2009.

#### **5. Close of meeting**

The next meeting of the taskforce will be at a future date to be determined.