

choice

25 May 2011

Ms Kate Spargo
Chairperson
APESB
Level 7, 600 Bourke St
Melbourne VIC 3000

Dear Ms Spargo,

I am writing to express the strong support of CHOICE – the People’s Watchdog - for the APESB’s standard APES 230 (professional and ethical standard for accountants offering financial planning services).

CHOICE has a long history of campaigning to remove conflicts of interest in the financial services sector. We have argued that commissions and asset based fees create a fundamental conflict of interest between a client and an adviser and are inconsistent with a professional advice industry.

Therefore we welcome APES230 which clearly defines the ethical framework within which a professional advice industry must operate. CHOICE believes that the principles of independence and conflict avoidance articulated in the standard will facilitate a genuinely professional and trusted approach in the delivery of financial planning services to the clients of your members.

In particular it is extremely welcome that the fiduciary duty confirms that clients’ interests must be put ahead of the adviser’s interest and that in doing so all conflicts must be removed, especially those created by certain types of remuneration.

We are particularly pleased that the standard precludes the use of percentage-based asset fees and other fees calculated by funds under management as these fees cause a conflict between the interests of the client and the adviser.

The standard meets the necessary benchmark given the existing professional status of accountants and is consistent with the duties owed by professionals to clients. In our view professionals should avoid conflicts – not simply “manage” them. There is ample evidence that disclosure is an inappropriate tool for managing conflicts and this has been recognised in the government’s recent decision to ban commissions in the financial advice sector.

While the government has removed some conflicts in the financial advice industry, its reforms are very much transitional and it is our view that the industry will not be able to claim professional status (as accountants can) until all conflicts are removed.

We therefore urge the immediate adoption of the standard and commend the APESB for demonstrating its commitment to professional and ethical standards for the benefit of Australian consumers.

Yours sincerely,



Jenni Mack
Chair

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