

**Constituents' Submissions – General Comments**  
**Exposure Draft 02/10: APES 230 Financial Advisory Services**

**Note: Specific comments relating to APES 230 Financial Advisory Services are addressed in separate tables. This table excludes minor editorial changes.**

Item No.	Paragraph No. in Exposure Draft	Respondent	Respondents' Comments
1		DMJ	<p><i>[ Technical Staff Note – the following Paragraph 2 and 3 repeated in Specific Comments – Table 8]</i></p> <p>As a solicitor working in connection with the financial services industry, I entirely support the intent and substance of the proposed standard. In particular, the proposed provisions of Clause 9 'Fee for Service' (and the definition of 'Fee for Service') demonstrate an important statement of principle for the wider financial services industry, and a commendable position of leadership taken by the APESB and the accounting professional bodies in financial services reform.</p> <p>I have no doubt that once implemented, the standard will further affirm the status of qualified accountants as professionals in the public's mind. This is due to the explicit removal of the conflicts of interest that arise under the forms of financial services related remuneration which your standard proposes to exclude. Once this ethical standard has been established, it will be of assistance also to non-accountant financial advisers who wish to conduct their business in a truly independent and conflict-free manner.</p> <p>The importance of your proposed standard is underscored by the abundance of commentary by other individuals and groups, which in many cases is misinformed or based on vested commercial interests. There is no doubt that there will be initial (and perhaps persuasive) resistance to the proposed standard by some of those commentators. However, under the guidance of the APESB, the accounting profession will be ideally placed to lead the financial services industry towards being more accountable and trusted by the public. Such an outcome will ultimately also be in the interests of the industry.</p>
2		FFA	As a Financial Planning Specialist of the Institute of Chartered Accountants I am generally in agreement with the majority of the proposed standard, however, I would like to make comment in relation to the exposure draft and in particular the blanket removal of percentage based asset fees and in some cases commissions.
3		ORT	<b>Confidential Submission</b>
4		SD	<p>I read the exposure draft with interest as and commend the exposure draft for the following reasons:</p> <ol style="list-style-type: none"> <li>1. Clearing explaining the future for Chartered Accountants in Financial Services and creating a very strong point of difference in the market place to Commission/ Asset Based fee Financial Advisers</li> <li>2. Clearing explaining the requirements of a Chartered Accountant to operate in business with the associated links to the Industries standard for Marketing Professional Services, Terms of Engagement and Dealing with Client Monies. I make this point as I asked these questions many years ago and the Institute was not able to help, this now makes it very clear.</li> <li>3. Clearing explaining the what is required for Professional Independence, Terms of Advice, Reporting the Financial Advice, document quality etc.</li> </ol> <p>I find all this information a breath of fresh air from the Institute. Thank you.</p>

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			<p>Now may I request the following in the next steps</p> <ol style="list-style-type: none"> <li>1. Impact on these terms on Chartered Accountants as Members in Business as employed financial planners or members of a dealer group. Specifically, what is the policy of the ICAA where these members in business work for or in a dealer group who charge commissions / Assets based fees. (Personal Note: With all the changes in the industry I sold my practice and moved to Orange NSW, and took a role with Westpac Financial Planning. They currently have commissions/ asset based fees and see no change in the immediate future. What does this means for me over the long term)</li> <li>2. Is the ICAA able to provide information on the fee for service modules to explain             <ol style="list-style-type: none"> <li>a. The cost of Financial Services to the client and how advice fees is only part of the total cost. Case study to include                 <ol style="list-style-type: none"> <li>i. What the costs of Financial Services?</li> <li>ii. What each party involved in Financial Services does for the fee?</li> <li>iii. How the client benefits from the services of each party?</li> </ol> </li> <li>b. Difference between Fee for Service and Commission/ Asset based fees in a manner the client can understand and explaining the fiduciary duty to clients</li> <li>c. Different type of Fee for Services models                 <ol style="list-style-type: none"> <li>i. Hourly rate</li> <li>ii. Retainer model</li> <li>iii. Hybrid</li> <li>iv. Others to be advised</li> </ol> </li> <li>d. Case studies on models and how the fee are collected from the client and the annual payment statement.</li> </ol> </li> <li>3. Is the ICAA aware of the Dealer Groups who have accepted this Fee for Service model and support the changes and / or does this change mean ICAA members in will need to take out their own licence?</li> <li>4. Can ICAA gather information and provide consulting advice such as a survey of dealer groups with information on those that do accept the Fee for service model?</li> <li>5. Can ICAA provide case studies on what is required to obtain and operate under your own licence? Including             <ol style="list-style-type: none"> <li>i. Licensing requirements (does this vary where non commissions or advice fees charged)</li> <li>ii. Compliance requirements</li> <li>iii. Support service requirements and list of providers                 <ol style="list-style-type: none"> <li>1. Research for Investments</li> <li>2. Insurance (non commission)</li> <li>3. Compliance providers</li> <li>4. Professional indemnity cover</li> <li>5. Planning software providers</li> </ol> </li> </ol> </li> <li>6. Where a Chartered Accountant provide Financial Advice that includes tax advice, will they be required to obtain a Tax Agent certificate. If so what is involved and how can the ICAA assist?</li> </ol>

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			<p>7. Where a Chartered Accountant provides Financial Advice that includes Lending or Debt, they will not be able to accept a commission. Is the ICAA aware of groups regulated under the Australian Credit Licence who provide lending on this bases.</p> <p>a. Can ICAA gather information and provide consulting advice such as a survey of Australian Credit Licencee’s with information on those that do accept the Fee for service model?</p> <p>b. Can ICAA provide case studies case studies on what is required to obtain and operate under your own licence? Including</p> <ol style="list-style-type: none"> <li>i. Licensing requirements (does this vary where non commissions or advice fees charged)</li> <li>ii. Compliance requirements</li> <li>iii. Support service requirements and list of providers <ol style="list-style-type: none"> <li>1. Research for lending</li> <li>2. Compliance providers</li> <li>3. Professional indemnity cover</li> <li>4. Planning software providers</li> <li>5. etc</li> </ol> </li> </ol> <p>8. Where a Chartered Accountant meets all of these requirements, will the ICAA provide the ICAA in Financial Services with marketing and promotional material</p> <ol style="list-style-type: none"> <li>a. Explaining the Fiduciary Duty to the client</li> <li>b. Explaining the point of difference</li> <li>c. Explaining the fee for service modules</li> </ol> <p>This is all my feedback. Trust it is useful.</p>
5		RMFA	<p>This ED is misguided as it proffers simplistic, populist knee jerk solutions to complex issues.</p> <p>It would also help if the accounting bodies and the FPA collectively lobbied law makers for a more common sense approach – as set out below – rather than issuing band aids like APES 230.</p> <p>It is grossly unfair that financial planners are being subjected to onerous (both existing and proposed) compliance requirements at the same time as real estate agents and industry super funds appear exempt from any equivalent standard of professionalism in advice delivery. The largest investment that most people ever make is their house and yet real estate agents can do this with negligible requirements as far as written advice is concerned.</p> <p>The professional accounting bodies and the FPA should be doing more to redress this imbalance.</p>
6		FFP	<p>As a Fellow of the Institute of Chartered Accountants and long standing member of the Financial Planning Association I welcome the general thrust of the proposed Standard. 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.</p>

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7		FAA	Confidential Submission
8		IFAAA	I want to congratulate you and your board on your leadership: the Australian public is better off. Furthermore your decision helps elevate what has long been an industry into its proper place, a profession.
9		CONFP	<p>As requested in Exposure Draft 02/10 at the Request for comments section on page iii this comment should be taken as <b>not</b> being in support of the proposed standard in its current form, nor with its current proposed date of effect.</p> <p>Having made those points – and prior to embarking on commentary on specific provision of the proposed standard – I hasten to add that the format and structure of the proposed standard is preferred to the more prescriptive format found in APS 12. Unfortunately, some of that prescriptive note in APS 12 will be lost when the standard is in force and should perhaps be retained, to the extent that they remain applicable, somewhere in the records by way of a guide as to the 'spirit of the standard'.</p> <p>Thank you for the opportunity to comment on the proposed statement. I look forward to receiving your acknowledgement of receipt – and to improvements to any aspect of the proposed standard you consider appropriate based on the above comments.</p> <p>I am available to discuss the theme of the comments at any convenient time: if requiring such discussion, please contact my office on the numbers and/ or contact details showing in my letterhead.</p> <p>[Copies of this submission have been made available to the following stakeholders:-</p> <ul style="list-style-type: none"> <li>○ CPA Australia – Centre Of Excellence; Retirement saving – chair</li> <li>○ CPA Australia - General Manger, Public Practice: Peter Docherty</li> <li>○ Head of Business – Securitor Financial Group Limited: Neil Younger] </li></ul>
10		HPW	<p>Thank you for the opportunity to comment on the proposed standard: APES 230 – Financial Advisory Services.</p> <p>Hewison Private Wealth was established in 1985 and has grown to become one of Australia's leading independent wealth management firms. Hewison Private Wealth is not connected to any financial institution or platform; our research is conducted in-house; and we do not earn commissions, covert or overt, from any product recommended to a client. Our client recommendations are therefore totally unbiased and based only on the best interests of the client.</p> <p>The undersigned is a Director of Hewison Private Wealth and has practiced in financial planning for some 25 years. I am a former Chairman of the Financial Planning Association of Australia and have been a Director of the internationally based Financial Planning Standards Board which administers the Certified Financial Planner™ (CFP®) professional designation.</p>
11		DMR	<p>Set out below are our comments in respect of this Exposure Draft. Paragraph references used are as per the Exposure Draft.</p> <p><b>Background</b></p> <p>We hold an Australian Financial Services Licence. The Licence provides:</p> <ol style="list-style-type: none"> <li>1. This licence authorises the licensee to carry on a financial services business to:</li> </ol>

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			<p>(a) provide general financial product advice for the following classes of financial products:</p> <p>(i) securities;</p> <p>to retail and wholesale clients.</p> <p>As you can see from the above, we holds an <b>Australian Financial Services Licence</b>, which authorizes us to provide <b>Financial Advice</b> on financial products such as shares.</p> <p>The terms shown in bold are defined in the Exposure Draft.</p> <p>Our assignments under the licence are limited to the preparation of independent expert's reports and also potentially to option valuations. In all of these assignments we are retained by a company pursuant to an engagement letter, however the reports are made available to all of the company's shareholders.</p>
12		AP	<p>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: (allocated to Specific Comment Table 8)</p> <p>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.</p>
13		PMHFP	<p>I am writing to express my views about the above exposure draft. I write to you as a principle of a CPA accounting/financial planning practice in the regional Port Macquarie area.</p> <p>Firstly though, I should make a couple of points on the industry in the region that I operate. The first is that in this region it is a highly competitive industry. I am given to understand that statistically, Port Mac-quarie has more financial planners per head of population than any other are of Australia. Secondly, as a regional are we have a significantly lower than average social demographic profile, lower levels of income, overall wealth and education. I believe these are pertinent issues which need to be considered in developing a policy which will apply to all members, as clearly the industry, it participants and clients are not homogenous. This needs to be considered in the context of proposing different requirements on CPA members as compared to other advisers.</p> <p><i>[Technical Staff Note - the following paragraph is repeated in Specific Comments – Table 8]</i></p> <p>The proposals contained in the exposure draft will do serious damage to our business, due to their retrospectivity and directly as a consequence of adopting a policy position which is inconsistent with the rest of the industry and the government's state policy position. I ask you review these proposals so neither CPA's or their clients are disadvantaged by the Proposed Standard.</p>
14		CFS	<p>Thank you for the invitation to comment on the above Proposed</p>

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			<p>Standard.</p> <p>I make this submission in my capacity as a member of the Institute of Chartered Accountants in Australia. I am also the Chief Executive Officer of a large retail financial services organisation, Colonial First State (CFS), and the Deputy Chair of the Financial Services Council (FSC, formerly the Investment and Financial Services Association (IFSA)).</p> <p>CFS provides investment, superannuation and retirement products to individuals as well as to corporate and superannuation fund investors. CFS is the second largest administrator of retail funds (A\$61 billion) in Australia and has the sixth highest number of financial advisers through Commonwealth Financial Planning, Financial Wisdom, Whittaker Macnaught and BW Financial Advice.</p> <p>Given both my past experience as an accountant and my current role as the head of a number of financial advice businesses, I believe I am uniquely qualified to provide comment on the matters contained in the proposed Standard.</p>
15		MFS	<p>We welcome the opportunity to make a comment on the proposed APES 230 ED. As the holder of an Australian Financial Services Licence, a Principal Member of the Financial Planning Association and a member of the Association of Financial Advisers we are already subject to an extensive range of strict and onerous standards in relation to the provision of financial services.</p> <p>We have a particular interest in the proposed APES 230 ED in that our board comprises members of the ICAA, CPA Australia and NIA and a number of our employees and representatives are also members of those professional bodies.</p> <p>*The following 2 paragraphs are repeated in Specific Comments – Paragraph 9 Fee for Service*</p> <p>We agree with the fundamental principles in the proposed APES 230 ED that Members who provide Financial Advisory Services act in a Fiduciary Relationship (putting their Clients' best interests ahead of their own interests) and that in so doing they must remove conflicts of interest.</p> <p>However, we consider that the proposed standard goes a step too far in the prescription of the basis of remuneration and, if implemented, may even serve to frustrate some of the objectives of the standard.</p>
16		JR	<p>Thank you for inviting comment on the proposed Standard APES 230.</p> <p>Johnston Rorke and our financial services subsidiary, JR Wealth Management, wish to make a submission to the board for your consideration.</p> <p><b>Johnston Rorke</b></p> <p>Johnston Rorke is an accounting and advisory firm providing a full range of services to private and family controlled group and businesses, professional services firms and the individuals within those organisations.</p> <p>Since forming in Brisbane in 1974, Johnston Rorke has grown to become a leader in our market. We have 14 partners and more than 120 staff. The firm consists of Business Advisory Services, JR Pharmacy, JR Superannuation, Taxation, Audit and Corporate Services. We also have specialist IT services – JR Bizlink and JR Spacelink, which provide accounting and management reporting to pharmacy clients.</p> <p><b>JR Wealth Management</b></p> <p>JR Wealth Management is a new initiative of Johnston Rorke, having received our own Australian Financial Services Licence on 31 August</p>

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			2010. The partners of Johnston Rorke have recognised the need to provide an independent service to clients of the firm that provides investment advice in the best interest of our clients. To maintain this independence, we have taken the additional time and expense to hold our own AFSL. We also saw the need to have complete transparency with our clients, and will not receive any trail commissions or rebates of fees from any product providers or third parties. However, our business model is to charge clients who are part of our core Portfolio Management Service and asset-based fee.
17		MS	<p>We appreciate the opportunity to respond to the Exposure Draft of Proposed Standard: APES 230 Financial Advisory Services (“APES 230”) issued by the Accounting Professional &amp; Ethical Standards Board (“the Board”).</p> <p>While we are supportive of strengthening professional standards in the area of financial advisory services, we are not supportive of the standard as a whole and have a number of general and specific comments in respect of APES 230 which are set out below.</p> <p>We are of the opinion that APES 230 should focus on enhancing the quality of advice provided and levels of disclosure required around financial services rather than prescribing the manner in which fees for such services are determined.</p> <p>We are concerned that insufficient thought has been given to the practical implications of introducing the standard in its current form. We believe that the requirements of APES 230 extend beyond the requirements of current legislation such that members will be placed at a distinct competitive disadvantage to those financial service advisors not subject to the requirements of the standard.</p> <p>The APES Board has a vision “to be recognised by our stakeholders for our leading contribution in achieving the highest level of professional and ethical behaviour in the accounting profession”. Financial Planning and Financial Services are a distinctly different industry that, at its very core, provides both services AND products. It is inappropriate to impose the beliefs and practices of a purely service based accounting business onto one that provides service and product hand in hand.</p>
18		KEN	<p>Thank you for the opportunity to comment on Exposure Draft 02/10, in relation to the Proposed Standard: APES 230 Financial Advisory Services. By way of background, we are a chartered accounting practice, which commenced in 1896, and currently have 8 partners, and 42 staff. We commenced to offer financial advisory services in 1987, firstly as authorized representatives of a national firm, and then since 1992 under our own licence. Currently our financial planning firm has 5 advisers, 3 paraplanners, and 3 support staff, and we offer the full range of financial advisory services.</p> <p>Overall, we support the proposed standard, and agree that members should always act with integrity, objectivity, confidentiality, and professional competence. We believe that members have a fiduciary relationship with clients, and should always act in client’s best interests, with professional independence. However, there are some matters in the Proposed Standard on which we offer the following critical comments.</p>
19		QPPC	As Chair of the Queensland Public Practice Committee and holder of a CPA (FPS) designation, I wish to endorse the comments outlined in the attached submission from Managed Financial Strategy.
20		GGBW	<p>The purpose of this document is to respond to the Exposure Draft of Proposed Standard APES 230 Financial Advisory Services (“APES 230”) issued by the Accounting Professional &amp; Ethical Standards Board (“APESB”).</p> <p>Our business, GGBwealthcare Pty Ltd, operates as a Sydney based multi-family office serving the needs of a limited number of ultra high net</p>

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			<p>worth families who are domiciled across Australia and elsewhere in the world.</p> <p>We have our own AFSL (number 340355), which allows us to advise and deal on a wide range of issues with our clients. Importantly, all our clients qualify as wholesale/sophisticated investors and, in terms of our client engagement documentation, we require client authorisation before we execute any instruction or implement any advice.</p> <p>As you would expect, independence, objectivity, integrity and respect for privacy and confidentiality are paramount for the success of our business. Accordingly, we accept no rebates, retrocessions, commissions or any other incentives from any financial institution with which we place funds and, more importantly in our view, our advice is entirely unfettered as we are not owned by a financial institution and therefore do not act as a 'Trojan Horse' distribution channel for any manufacturer's financial product. Accordingly, irrespective of the fact that the bulk of our revenue is determined by reference to the quantum of funds under our influence (a percentage based asset fee arrangement), we believe that our business is absolutely designed to avoid conflict of interest.</p> <p>We are a small business employing highly qualified people - 60% of our staff complement is made up of Chartered Accountants – and we consider our culture to be deeply aligned with rendering the highest levels of client service and constantly sensitised to the 'fiduciary duty' we have towards our clients.</p> <p><b>General comments</b></p> <p>Accordingly, whilst we are encouraging of strengthening professional standards in the area of financial advisory services and are, on balance, broadly supportive of the proposed standard's sentiment, we are concerned that insufficient thought has been given to the practical implications and ramifications of certain aspects of the new standard, most notably that of banning percentage based fee arrangements.</p> <p>We are of the opinion that APES 230 should focus on enhancing the quality of advice provided and the nature of disclosure required for those Chartered Accountants operating within the financial advisory services industry.</p>
21		RT	I wish to applaud the efforts of your organisation in preparing the proposed standard – APES230 Financial Advisory Services.
22		SCT	<p>Having met with Robert MC Brown last week herewith my late but token submission to your draft APES 230 submission.</p> <p>My consultancy business has been working with financial planners since inception in 1993. Our objective is to build the most valuable advisory firms in the world. I have included my personal biography.</p> <p>I submit to you a book I wrote last year 'What Price Advice' which is based upon the practice and initiatives I have observed throughout great financial planning businesses throughout Australia, USA and UK.</p> <p>The Australian advice financial profession is at a fork in the road. The destination is providing significantly better financial outcomes for all Australians and the two paths before us lead to this destination. The first path advocated by Chris Bowen's future of advice is long, winding and slow, say ten years. The second path with your excellent submission support is steeper, more challenging, and quicker, say three years. Australians want better financial outcomes in their lives much more than they want financial products or financial effort.</p> <p>However the challenges for the facing the product based financial planning industry are similar to those facing the hourly rate based compliance driven accounting industry. Both have their baggage, and a necessity to change to avoid oblivion.</p>



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			<p><i>[Technical Staff Note - the following paragraph is repeated in specific comments – Table 8]</i></p> <p>I, and my clients, support the public interest being the primary driver of all financial professionals, the insistence of removal of conflicts of interest for all financial professional and the move to relate pricing in dollars not percentages or hourly rates.</p> <p>I hope my book, and any support that I can provide may support your submission and I congratulate the AESPB on its leadership.</p>
23		CFPL	<p><i>[Technical Staff Note - the following paragraph is repeated in specific comments – Table 8]</i></p> <p>I am writing to you as a fellow member of the ICAA.</p> <p>This email is in some respect, in response to your article (and also that of Robert MC Brown) in the October edition of Charter. I have also attached a letter I recently sent to the ICAA which comments on the Exposure Draft (ED) APES 230 and other issues.</p> <p>In relation to the ED, I agree with a much of it, however a lot more needs to be done before you even consider an implementation date. You need to understand the history of financial planning as regards the two major professional bodies.</p>
24		MHGL	<p>I would like to express my views on the APES 230 Exposure Draft.</p> <p>Firstly, I am a CPA and CFP and have been providing financial planning advice to clients for over 10 years.</p>
25		FERB	<p>I am writing in response to the Board's request for comment on the above Proposed Standard and thank you for the opportunity.</p> <p>This submission is made in my capacity as a CPA and also as Managing Director of an independently owned boutique Australian Financial Services Licensee, Ferguson Betts P/L. Ferguson Betts is also a CPA practice specialising in Financial Planning.</p> <p>My experience as a full-time planner for over 20 years has given me great insight into the issues surrounding the provision of advice.</p>
26		WB	<p>We are a federation of accounting firms with offices in all mainland States of Australia. All firms trade independently under the name of William Buck in their respective States. Each firm provides wealth advisory services under a number of AFSL licensing arrangements.</p>
27		DFP	<p>As a CPA Australia member practicing as a financial planner I recognise the importance of professional standards to ensure members provide quality and ethical advice to clients.</p> <p>I support and currently apply the fundamental principles outlined in the APES 230 ED when providing advice to my clients and view these principles as essential in the provision of professional financial advisory services.</p> <p>As an Authorised Representative I provide holistic financial planning advice, including advice on insurance, and do so on a fee for service basis consistent with APES 230 ED. I take a range of factors into account, as detailed in APES 230 ED, when determining my fee and therefore, do not charge percentage based asset fees.</p>
28		LFM	<p><u>My Background</u></p> <p>I began my career as a chartered accountant and have been a CPA for nearly 20 years. For around 15 years I have specialized in financial advice, and have run my own practice (with Public practice membership) since 2003. This practice since its inception has operated on a fee for service basis – i.e. we have never received commissions for any investment or superannuation related advice and have always charged fees for both initial and ongoing services provided. During that period we have won several awards for the quality of our advice (refer</p>

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			<p>below) and I regularly present on behalf of CPA to other practitioners on superannuation and relate tax matters.</p> <p>During my years as an adviser I have seen and supported many positive changes to the financial advice profession – from FSR, through to the more recent Bowen Future of Financial Advice Reforms. I am not averse to change and am supportive of any reforms that will improve the profession.</p> <p>I provide this brief background to illustrate my credentials as a “Professional” adviser – and in the hope that this submission is considered in this light and not dismissed as the views of a “product salesperson”.</p>
29		FPAA	<b>Confidential Submission</b>
30		Deloitte	<p>We appreciate the opportunity to respond to the Exposure Draft of Proposed Standard: APES 230 Financial Advisory Services (the “ED”) as developed by the Accounting Professional &amp; Ethical Standards Board (“APESB”).</p> <p>We are supportive of a market where there is confidence in the integrity of the financial planning industry and therefore commend the APESB for being proactive in undertaking work on a replacement for APS12. However we believe that the ED, as drafted, has far reaching and potentially unintended consequences. Furthermore, we have concerns in respect of the proposed effective date of the ED.</p> <p>Our significant comments in respect of the ED are set out below.</p>
31		BG	<p>I appreciate you taking the time to read my submission. In this paper, I outline the reasons why the implementation of Proposed Standard APES 230 would be detrimental to both the industry and, importantly, to consumers.</p> <p><b>My Background</b></p> <p>I graduated from the University of Melbourne in December 1967 with a Bachelor of Commerce, majoring in Accounting and Economics. I have a CFP designation and I am a certified Self Managed Super Fund Specialist. I am also a Fellow of CPA Australia.</p> <p>On 1<sup>st</sup> February 1968 I joined Legal and General as a Life Insurance Agent and soon after, formed a Partnership with my brother, Joseph Bongiorno, a similarly qualified FCPA, Bachelor of Commerce, University of Melbourne.</p> <p>Together we started what was then the very first Financial Planning firm in Australia. Under the one roof, we provided co-ordinated financial advice to a client base consisting predominantly of Doctors and Dentists.</p> <p>I believe that NAB and Westpac records will confirm that I have organized between \$1.2 billion and \$1.6 billion in finance for clients over this period and hopefully both institutions would judge me to be very experienced in this area.</p> <p>Furthermore, I believe that records from Legal and General, National Mutual (now AXA), AVIVA and MDRT (Million Dollar Round Table) will confirm that over the past 43 years, I have sold more Life Insurance than anyone in Australia’s history.</p> <p>You will notice that with Insurances I unashamedly use the word “sold”. It is a fact that Life Insurance, and the associated Risk Insurance products are not bought, but sold.</p> <p>I am limiting this paper to Insurance and Finance advice as I expect most other submissions to focus on financial product advice.</p>

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32		KCA	<p><b>Firm Background</b></p> <p>Our firm, Kothes Chartered Accountants, is a 7 Partner Chartered Accounting firm operating on the Far South Coast and Monaro region of NSW. Our main offices are in Bega, Merimbula, Eden and Bombala. We also attend our offices in Bermagui, Cooma and Jindabyne on a weekly basis all year.</p> <p>We have approximately 55 staff and have been operating for 64 years.</p> <p>I have been the only authorised representative since 2001 after we decided to go “in-house” with our financial planning due to numerous failed attempts with external referral relationships.</p> <p>I am currently licensed with Bridges Financial Services.</p> <p>I am responsible for our firms 350 self managed super funds and our financial planning division. We currently have approximately \$25 million in funds under management and I spent approximately 50% of my time in financial planning.</p> <p>I am a member of the Institute of Chartered Accountants and I have and use the “Financial Planning Specialist” designation.</p> <p><b>Opinion on Proposed Standard</b></p> <p>My overall opinion of the proposed standard is fully supportive. My main reason for support is the elimination of any conflict of interest.</p> <p>I have operated for the past 9 years charging clients an advisor service fee (ASF) using asset based percentages. I acknowledge that my first most thought has been the amount of funds the clients have available to invest and what our fee will be based on the ASF %. The greater the funds to invest the harder I worked to engage as a client. This should not be how a professional should operate.</p> <p>Accountants are already familiar to completing time sheets and billing clients on an hourly rate.</p> <p>There is no reason why we as an Accounting profession cannot eliminate % based ASF’s and move to hourly rates or fixed dollar fees, neither of which are based on the amount of funds under advice.</p> <p>For the past 12 months I have charged all new clients a fixed dollar fee rather than % based. This has totally changed the way I look at clients and recommend investments for their consideration.</p> <p>I do acknowledge we are currently receiving a % ASF each quarter for clients who require little servicing. Conservative clients in term deposits or uninterested clients that don’t want to regularly get together should not have to pay a % of their assets each year for advisors to do very little.</p> <p>I must attend bi-annual professional development days with my dealer group, Bridges Financial Services. Regular discussions with other advisors (not Accountants) and with management tells me they are happy to keep things the same. They do not want to change. It’s all about how to convert more clients onto their platforms, a win for the group and a win for the advisor, the outcome to the client is secondary.</p> <p>Along with my fellow Partners in Tax and Audit our firm considers ourselves as “professionals” and are proud members of the Institute of Chartered Accountants. In my opinion the only way Accountants providing Financial Advisory Services can call themselves professionals is to totally move from asset based fees.</p>

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			<p>We are comfortable with the proposed start date 1 July 2011.</p> <p>Professionals make the hard decisions in business. I believe if we lead the way as a group and adopt this proposed standard Accountants will become the premier financial advising group in the industry.</p> <p>I hope my comments are helpful in the Board's review of the proposed standard.</p>
33		AMP	<b>Confidential Submission</b>
34		AFAC	<p>Please find enclosed the Accountant Financial Adviser Coalition (AFAC) submission with regards to the Exposure Draft for Standard APES 230.</p> <p>As you know, AFAC was formed in July 2010 to address professional and licensing issues for accountant financial advisers. AFAC's formation was triggered by the release of Exposure Draft APES 230 and the material and legitimate concerns of the accountant financial adviser members of the constituent organisations of AFAC with this Exposure Draft. The member firms of AFAC are:</p> <ul style="list-style-type: none"> <li>• Count Financial Limited</li> <li>• Securitor Financial Group Ltd</li> <li>• Professional Investment Services Limited</li> <li>• Lonsdale Financial Group Limited</li> <li>• WHK Group</li> </ul> <p>and together we represent approximately 1700 accountant financial advisers.</p> <p>The members of the AFAC are passionate about the accessibility and provision of quality, ethical advice for all Australians, and I trust you will view our submission in this light.</p> <p>Our submission is structured in two parts – our full submission and two Appendices, and as a separate document, Appendix 3 which is the full legal opinion produced by Gregory Drew to AFAC, which we are providing to the APESB to aid with your deliberations.</p> <p>In making this submission Appendix 3 has been provided on the basis that it is kept confidential, having been included for consideration of the APES Board, or its associates, in reviewing this submission and not for public release.</p> <p><b>INTRODUCTION &amp; EXECUTIVE SUMMARY</b></p> <p>The Accountant Financial Adviser Coalition (AFAC) was formed in July 2010 and comprises the following financial advisory dealer groups, the authorised representatives of which include a large number of accountant-based financial planners (approx 1700):</p> <ul style="list-style-type: none"> <li>• Count Financial Limited</li> <li>• Securitor Financial Group Ltd</li> <li>• Professional Investment Services Limited</li> <li>• Lonsdale Financial Group Limited</li> <li>• WHK Group</li> </ul> <p>The AFAC was formed specifically for the purpose of coordinating a joint approach and submission in relation to the proposed changes</p>

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			<p>contained in APES 230.</p> <p>Overall, we support the APESB in your objective to increase the professionalism of providers of financial advisory services, and commend the intentions behind APES 230. We are in total agreement with Australians receiving quality financial advice – being a key national priority.</p> <p>We are also dedicated to ensuring that any standards which impact on accounting professionals providing financial advice are equitable and in the interests of clients, the profession and the financial services industry as a whole.</p> <p>However, AFAC has some fundamental concerns with Exposure Draft APES 230, including the following:</p> <p>The Federal Government has invested substantial effort into various reviews of the financial advice, wealth management and superannuation sectors (especially the Ripoll and Cooper Reviews) and the taxation review with elements relating to superannuation (the Henry Review). The Government has already proposed major reforms to the financial advice industry – especially through the <i>Future of Financial Advice</i> (FOFA) reforms announced on 26 April 2010, and a process for consultation and a timetable for implementation. Given the extensive reviews and continuing consultation by Government, we submit that it would be appropriate for a redrafted version of APES 230 to be considered after the Government process has progressed rather than to pre-empt this process;</p> <p>As articulated in Section 2.4 of our submission, there is ample research and expert commentary to support the view that principles-based legislation (sometimes referred to as outcome-oriented legislation) is more effective than rules-based legislation. So it is with standards – with a principles-based approach being more effective than a rule-based approach. In particular, in a profession, standards which focus on behavioural norms are more effective and appropriate than rules-based approaches, which tend to be more oriented to “form over substance” and have less focus on behaviour and professional integrity. In crucial areas, APES 230 adopts a rule-based approach rather than principles-based;</p> <p>A potential risk with any proposed legislation, regulation or standard is the vexatious issue of “unintended consequences”. We understand that part of APESB’s role is a public interest role, and we outline in our submission that one of the unintended consequences of APES 230 could actually be a degradation in serving the public interest, largely due to APES 230 shifting the portion of overall financial advice away from professional accountant financial advisers</p> <p>AFAC has also surveyed our members to determine their views on key issues explicit or implicit in APES 230, the results of which are contained in Appendix 1. This was a significant survey and we commend the APESB fully review these survey results.</p> <p>There are those in the accounting profession who appear to be adopting an approach of lecturing the APESB on its role, and exhorting professional service bodies to effectively “stiffen their backbone to act in the public interest.</p> <p>There are also some individuals in the profession who want to position accountant based financial advice as being <i>superior</i> – and better than – financial advice received elsewhere in the industry. They make pronouncements about setting higher standards, but often with a “holier than thou” tone and some implied denigration of the balance of the financial advice industry. Such approaches are unhelpful and divisive. The AFAC represents accountant based financial advisers. Some might think accountant based financial advisers would benefit from such positioning; however we do not share this view when we believe the government is already moving to address and resolve the key areas of concern raised under APES 230, and these members as well as their clients will be unnecessarily disadvantaged. It would be far better for the accounting bodies to work with public policy makers and the rest of the financial advice industry to lift overall advice standards, to make</p>

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			<p>FOFA work, and to instil confidence in the advice industry as a whole. We request and exhort the APESB to give deep consideration to the complex issues associated with the Exposure Draft, and to consult as extensively as has the Treasury and Government on the Future of Financial Advice reforms. The public policy makers appreciate the complexities, and we submit they require extensive analysis and an understanding of the range of unintended consequences.</p> <p><b>2. HIGH LEVEL COMMENTS</b></p> <p><b>2.1. APESB's Role</b></p> <p>According to APESB's website, <i>"all Australian professional accountants have a responsibility to act in the public interest and are expected to act with objectivity and integrity in their dealings with investors, governments, clients, employers and employees and when undertaking work or providing advice. The APESB issues standards that outline the responsibilities of professional accountants to act professionally and ethically when they are performing their role."</i></p> <p>Based on APESB's Policies &amp; Procedures Manual, <i>"one of the primary objectives of Accounting Professional &amp; Ethical Standards Board Limited (APESB) is to develop and issue in the public interest, professional and ethical standards and other pronouncements that will apply to members of the professional accounting bodies."</i></p> <p>From the above, we understand that a key role for the APESB is to develop and issue standards in the public interest, and to guide accountants in the fulfilment of their professional obligation to act in the public interest and to act with objectivity and integrity. A key issue in assessing the Exposure Draft APES 230 is whether it serves this "public interest" test, and whether it creates any additional obligation on accountants beyond the objectivity and integrity obligations by which they are already bound under APS 12. As explained below in Section 2.3, we submit that there are unintended consequences associated with the implementation of APES 230, which may actually be inimical to the APESB's public interest mandate.</p> <p><b>2.2. Objective of Exposure Draft APES 230</b></p> <p>In the introduction to the Exposure Draft APES 230, it is stated that:</p> <p><i>"Accounting Professional &amp; Ethical Standards Board Limited (APESB) proposes to issue the Standard APES 230 Financial Advisory Services setting out mandatory requirements and guidance for Members who provide Financial Advice. The proposed standard will supersede the existing APS 12 Statement of Financial Advisory Standards."</i></p> <p><i>The proposed APES 230 includes mandatory requirements and guidance in respect of:</i></p> <ul style="list-style-type: none"> <li>• <i>Fundamental responsibilities of Members;</i></li> <li>• <i>Fiduciary responsibilities of Members;</i></li> <li>• <i>Professional Independence;</i></li> <li>• <i>Terms of the Financial Advisory Service;</i></li> <li>• <i>The basis of preparing and reporting Financial Advice;</i></li> <li>• <i>Client's information, monies and other property;</i></li> <li>• <i>Fee for Service;</i></li> </ul>

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			<ul style="list-style-type: none"> <li>• <i>Soft Dollar Benefits; and</i></li> <li>• <i>Documentation and quality control.</i></li> </ul> <p><i>The fundamental principles in the proposed APES 230 ED are that Members who provide Financial Advisory Services act in a Fiduciary Relationship (putting their Clients' best interests ahead of their own interests) and that in so doing they must remove conflicts of interest, particularly those conflicts caused by certain types of fees and remuneration.</i></p> <p><i>This standard proposes that Members who provide Financial Advisory Services must only charge Clients on a Fee for Service basis (as defined in the standard). Such a Fee for Service minimises conflicts of interest because it is not calculated by reference to products sales or the accumulation of funds under management.</i></p> <p><i>Consequently, this standard proposes that Members who provide Financial Advisory Services must not use practices that cause conflicts of interest (or perceptions of conflicts of interest) such as Commissions, percentage-based asset fees, production bonuses and other forms of fees and remuneration that are calculated by reference to product sales or the accumulation of funds under management.</i></p> <p><i>As a result, Members create relationships of trust with their Clients, which is the central feature of any professional relationship.</i></p> <p><i>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.</i></p> <p>The broad intent and objective of APES 230 – i.e. quality, objective and professional financial advice- is to be applauded.</p> <p><b>2.3. Comment on the APES 230 Objective &amp; Potential Unintended Consequences which may be inconsistent with APESB's Objectives &amp; Intent</b></p> <p>The <b>broad</b> objective of the ED – to ensure quality and objective advice delivered by professionals which is in the client's interests - is to be both supported and lauded. The issues arise from the ED moving beyond principles to prescription, and prescription based on certain foundations (e.g. that certain remuneration models are inconsistent with fiduciary duty) which are flawed (based on legal opinion).</p> <p><b>5. CONCLUSION</b></p> <p>Whilst APES 230 is well intentioned, we submit that it is premature, potentially superfluous to existing standards and emerging regulation, potentially in conflict with some key emerging regulatory precepts, and overly orientated to rules-based prescription rather than a principles based approach.</p> <p>We submit that a re-drafted version of APES 230 be considered after the exact form of the FOFA reforms becomes known, which is schedule to occur within 6-12 months. If a redrafted form of APES 230 is to be considered, we urge the APESB to ensure that is a principles-based standard rather than a rules-based prescriptive model.</p> <p>We would go further and submit that APES 230 in its current form should be abandoned. The interaction of other accounting professional standards, such as APS 12 and APES 320, combined with the FOFA reforms will provide strong and appropriate guidance to professional conduct in the provision of financial advice.</p> <p>The Accountants Financial Adviser Coalition (AFAC) is very willing to work with the APESB and the working groups involved in standards</p>

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			development to ensure a constructive and workable professional standard for Financial Advice should the APESB resolve that it still wants to proceed with a Financial Advice Standard.
35		SPAA	<p>SPAA is the peak professional body representing the self managed superannuation fund (SMSF) sector throughout Australia. SPAA represents professionals, irrespective of their personal membership and professional affiliations, who provide advice to individuals aspiring to higher levels of participation in the management of their superannuation savings.</p> <p>Membership of SPAA is principally accountants, auditors, lawyers, financial planners and other professionals such as actuaries.</p> <p>2. A significant number of SPAA members are also members of a professional body that has adopted the APESB professional standards. SPAA has reviewed the Exposure Draft ED 02/10 ('the Exposure Draft' or 'ED') and wishes to provide comments on various aspects of the proposed standard which, in SPAA's view, require further clarification or are likely to impose unreasonable and unsustainable obligations on SPAA members who are also members of a professional body that has adopted the APESB professional standards.</p>
36		Count	<p>Please find enclosed the Count Financial submission into the Exposure Draft for Standard APES 230. Count Financial has approximately 800 financial advisers, the vast majority of which are accountant financial advisers.</p> <p>We are passionate about the accessibility and provision of quality, ethical advice for all Australians, and I trust you will view our submission in this light. We are also strong advocates for independent and objective financial advice.</p>
37		MSC	<b>Confidential Submission</b>
38		GB	<p>I have been a member of the Institute of Chartered Accountants since 1988 working solely as a financial adviser in the past decade. In the past 10 (ten) years there have been many changes to the financial planning industry, but the changes have not succeeded in us achieving a public perception of being a trusted professional industry.</p> <p>Of course it is important that we achieve that public recognition as so many Australian need the trust and encouragement to help tackle their financial challenges. The industry, associations and legislators need to work collectively in a consistent manner so that the public has a clearer understanding of the process and a more uniform experience when they see a financial adviser.</p> <p>Whilst APES 230 seeks to advance the industry through the guidance it provides, I have concerns regarding its application and timing that may prove counter-productive.</p>
39		PWC	<p>We refer to the Exposure Draft 02/10 APES 230 Financial Advisory Services (the "ED") and the Accounting Professional and Ethical Standards board (the "APESB") request for comments thereon.</p> <p>As a general comment, we fully support the APESB in its intension to promote proper behavior by members of professional accounting bodies, when acting as financial planners. Also, given the potentiality far reaching implications of the ED, we appreciate the opportunity to comment on it, particularly given we are of the strong view that there are important issues that require further consideration.</p>
40		WHK	<p>This letter is the submission of WHK Group Limited (WHK) into Proposed Standard APES 230.</p> <p>WHK is a listed Australasian financial services company, the fifth largest accounting business based on annualized fee income and a member of Crowe Horwath International. WHK is the 17th largest provider of financial planning advice in Australia in terms of funds under advice but</p>



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			more importantly, it is the second largest non-affiliated provider in the sector. WHK aims to provide “total financial solutions” to its client base which is focused in the SME and high net worth sectors.
41		CNIC	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.
42		FTS	<p>We wish to make a submission supporting APESB 230 in its current draft.</p> <p>Our firm has over 20 years experience in retail financial services in life insurance, funds management and superannuation and so on. We have never been financial advisers but have always worked closely with financial services providers including product manufacturers, distributors and planners.</p> <p>Our principal, Mr Tony Negline, writes extensively for the financial services industry.</p> <p>For over six years he has written the weekly DIY Super column which appears in The Australian newspaper. He has also written a 450 page book on Self Managed Super Funds (further details about the book are available at <a href="http://www.atcbiz.com.au">www.atcbiz.com.au</a>).</p>
43		GT	<p>Grant Thornton Australia Limited (Grant Thornton) appreciates the opportunity to comment on the Accounting Professional and Ethical Standards Board’s (APESB) ED 02/10 Proposed Standard APES 230, and we have separately contributed to the submission made by the accounting profession (Australian Public Policy Committee which is constituted by the 3 Australian accounting bodies and the seven major accounting firms that includes Grant Thornton).</p> <p>Grant Thornton’s response reflects our position as auditors and business advisers both to listed companies and privately held companies and businesses.</p> <p>Grant Thornton does not support the release of ED 02/10 APES 230 as an APES standard, and instead believe that ED 02/10 should be deferred until the Government’s forthcoming ‘The Future of Financial Advice’ (FoFA) legislation is settled, to ensure that there are no significant inconsistencies between the legislation and APES 230 that have not been subject to careful consideration by both the Government and the accounting profession.</p>
44		SHRB	<p><b>“Professional Standards-Accountants show how it’s done”</b>                      (Cover of Professional Planner magazine, August-September 2010).</p> <p><b>“...The Exposure Draft Standard (APES230) certainly reflects the more evolved state of the accounting profession and the rigour and independence of their standard setting process.”</b>                      (Extract from Industry Super Network Briefing Paper, October 2010).</p> <p><b>“It’s great that commissions are gone, but they are being replaced by a high fence in the form of asset fees, so the shift to fees could be seen as another marketing ploy to sell more product”.</b>                      (Jim Stackpool, Australian Financial Review, October 2010).</p> <p>-----</p> <p><b><u>Support</u></b></p>

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			<p>We are writing to express our <b>support</b> for the proposed standard, <b>APES230 Financial Advisory Services</b>.</p> <p>Adherence to the standard and its principles, which reflect the fundamental professional foundations of fiduciary obligation and unqualified trust that must exist between a professional adviser and a client, should be mandatory for members of the accounting bodies who offer financial advisory services (often described as “financial planning” services).</p> <p><b><u>Lack of Involvement by Accountants in Financial Planning</u></b></p> <p>Accountants have had the opportunity to engage in “modern” (licensed) financial planning since about 1975; however, given the passage of some thirty five years, there is a relatively small number of accountants seriously offering these services. Given their training, professional education and ethical standards, many more accountants should have become involved in financial planning. Theoretically, it is an “ideal fit”. Regrettably, however, most accountants view financial planning as a link in a financial product manufacturing and distribution chain, rather than as a legitimate and independent professional advisory service. This is a reasonable conclusion for those members to have reached, because that is the way in which the industry is viewed by most of its participants.</p> <p>Stories abound over the last thirty five years of accountants being unsuccessful in financial planning because of a poor “cultural fit” with the product selling imperative that drives much of the industry. In addition, the accounting profession’s leadership has not treated financial planning as a core professional activity (as it has treated auditing and tax), so that in practice, the profession’s fundamental ethical standards, such as independence and conflict avoidance, have not been applied rigorously to members engaged in financial planning.</p> <p>The closest the accounting profession has ever come to applying professional and ethical standards to financial planning was with the publication by the joint accounting bodies in 2005 of voluntary standard APS12 which recommended that a “fee for service” remuneration model should be adopted by members.</p> <p>Then in 2006, The Institute of Chartered Accountants published an analysis of the industry in its paper “Reinventing Financial Planning”. This paper called for the removal of remuneration-based conflicts of interest as the principal way to achieve unqualified trust of planners by clients.</p> <p>APES230 is the evolved outcome of both those documents.</p> <p>Nevertheless, due to the reluctance of our profession to enforce fundamental ethical principles in the delivery of financial planning services by our members, much of the accounting profession has continued to treat financial planning with suspicion and cynicism; and as a flawed and somewhat unethical activity.</p> <p><b><u>APES230 as a Positive Force</u></b></p> <p>APES230 will change that negative attitude. Its adoption will lead to substantial growth in the number of accountants engaged in financial planning because they will see it as having been transformed into a legitimate professional activity that is both honest and ethical. In addition, there will be substantial growth in the number of potential clients seeking to retain the financial planning services of our members.</p> <p>In short, contrary to the short term commercially-based negative reactions of some people, APES230 will be a strong and positive force for the growth of our profession and for its acceptance by the public as a source of trusted professional financial planning advice.</p> <p>In the absence of the adoption of APES230, financial planning will continue to be treated with suspicion by the majority our members and</p>

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			<p>they will continue to avoid involvement in it, to the detriment of our profession and the public we serve.</p> <p><b><u>Conclusion</u></b>  <b>APES230 will be a strongly positive force in our profession.</b>  <b>APES230 reflects our mandate as a true profession to act in the in the public interest, to put our clients' interests ahead of our own, to do so in an environment of unqualified trust, and to do so without conflicts of interest.</b>  <b>APES230 will encourage more participation in financial planning by our members and it will lead to many more members of the public using the services of financial planners who have adopted its principles.</b>  <b>We commend the Accounting Professional and Ethical Standards Board for showing the leadership and courage to issue the proposed standard, and we commend it to our profession and to the wider financial planning industry.</b></p>
45		NCA	<p>Proposed Standard : 230 APES 230 Financial Advisory Services - Submission</p> <p>I met with you recently at the ICAA Conference convened in Sydney on 23 and 24 September 2010 on Self Managed Superannuation Funds. At this conference you encouraged attendees to make submissions on this Proposed Standard.</p> <p>As a background I advise that I am a Fellow of the Institute of Chartered Accountants with the designation Financial Planning Specialist, a Certified Financial Planner and a member of the Financial Planning Association, a Fellow of FINSIA ( having completed the Graduate Diploma of Applied Finance &amp; Investment), a member of SPAA with the qualification of S.S. Aud. (Specialist Self Managed Superannuation Fund Auditor) as well as being a Fellow of the Taxation Institute and a Registered Company Auditor. I have been in professional practice for in excess of 30 years and have two accountancy practices (one regional and one in Adelaide) a financial planning practice (with Proper Authority through Count Financial Limited) and a company that specialises in the audit of SMSF's for a number of accountancy practices.</p>
46		ISN	<p>ISN strongly supports the direction of regulatory change proposed in Exposure Draft APES 230 <i>Financial Advisory Services</i>. In particular, we support the imposition of a fiduciary relationship on accountants who provide financial advisory services to clients and the requirement to remove conflicts of interest especially those created by certain types of fees and remuneration.</p> <p>By way of context, the Federal Government is currently undertaking a comprehensive reform process to address the serious structural conflicts of interest within the financial planning and wealth management industry (called the Future of Financial Advice or "FoFA" reforms). This includes the imposition of a requirement in the Corporations Act to act in a client's best interests when providing personal financial advice. The reforms being undertaken by the Federal Government follow the recommendations made by the Parliamentary Joint Committee on Corporations and Financial Services which examined a number of high profile collapses of financial advice businesses including Storm, Opes Prime and Westpoint. It should be noted that there were accountants providing financial advisory services involved in some of these collapses.</p> <p>The draft Standard appropriately goes beyond what is intended in the proposed reforms of the Corporations Act and will ensure that all accountants providing financial advisory services are providing high quality, unbiased, strategic advice. The imposition of a fiduciary standard and comprehensive regulation of remuneration which is consistent with the fiduciary standard will ensure that the process of providing financial advice by accountants is entirely disaggregated from the sale and distribution of financial product or accumulation of funds under</p>

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			<p>management.</p> <p>If the Standard were to be implemented, the accounting profession would certainly be subject to higher professional and ethical standards than those required by the Corporations Act (even after the proposed reforms are implemented) and by the professional standards imposed by the Financial Planning Association or the Association of Financial Advisers. Notwithstanding some commonality between measures in the FoFA package and APES 230, the accounting profession will be unparalleled in setting rigorous ethical and professional standards to ensure that their clients can trust them to deliver independent, high quality advice services.</p> <p>Apart from lending our support in general terms to the proposed Standard, ISN would like to make submissions in relation a number of detailed aspects of your Exposure Draft Standard.</p> <p><b>Conclusion</b></p> <p>In order to maintain very high professional and ethical standards, it is critical that any accountant who is providing financial advisory services be subject to a fiduciary duty and an obligation to avoid receipt of any payment which introduces bias and creates tension between the client's interests and the accountant's personal stake in the advice. The final version of the Standard should go beyond what is proposed for the legal regulatory framework and ensure that accountants are subject to more rigorous standards, to ensure that all financial advisory services delivered by accountants are in the client's best interests.</p> <p>ISN strongly supports the proposed requirements of the Exposure Draft of <i>APES 230</i> and would urge the APESB to issue a Standard which sets rigorous and effective regulations for accountants providing financial advice.</p>
47		APPC	<p>The Australian Public Policy Committee appreciates the opportunity to comment on Exposure Draft 02/10 Proposed Standard: APES 230 Financial Advisory Services (the ED).</p> <p>The APPC includes BDO, CPA Australia, Deloitte, Ernst &amp; Young, Grant Thornton, KPMG, PKF, PricewaterhouseCoopers, The Institute of Chartered Accountants in Australia and the National Institute of Accountants.</p> <p>The APPC's objectives are to promote public policy outcomes in respect of audit, accounting and related services in Australia that:</p> <ol style="list-style-type: none"> <li>1. Enhance the reputation of the accounting profession by setting and adhering to high standards of ethical and professional conduct.</li> <li>2. Preserve the viability of a high quality, independent, external financial audit profession through an ongoing focus on audit quality and fair and equitable apportionment of the financial risks associated with the audit function.</li> <li>3. Add value to the accounting profession's clients and stakeholders.</li> </ol> <p><b>Background to the ED</b></p> <p>We note that the ED was initiated in response to a project proposal submitted by the professional bodies to develop APES 335 to replace existing standard APS12. Accordingly the standard was originally intended to apply to members in public practice only.</p> <p>As part of the process of developing the ED, the Accounting Professional and Ethical Standards Boards (the APESB) released a consultation paper <i>Review of Miscellaneous Professional Statement APS 12: Statement of Financial Advisory Service Standards</i> in October 2008. Subsequent to that paper the APES 335 Financial Advisory Services Task Force was renamed the APES 230 Financial Advisory Services Task</p>

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			<p>Force reflecting a revised intention that the standard apply to all members, not only those in public practice.</p> <p>In addition to the change in intended application, since the commencement of the APES 335/230 project there have been significant external developments impacting the financial advisory services landscape. These include the inquiry undertaken by the parliamentary Joint Committee on Corporations and Financial Services and its November 2009 report on Financial Products and Services in Australia and the response by the Federal Government to that report in April 2010 when it announced its intention to enact a package of reforms known as <i>The Future of Financial Advice</i> (FoFA). The FoFA package overlaps and interacts with the policy issues addressed in the ED.</p> <p>Given the nature of concerns that have been expressed in relation to the ED we recommend that the APESB undertake further consultation with stakeholders after this round of submissions to determine the appropriate form and content of a standard to replace APS 12. Such further consultation should revisit the definition of “Financial Advice” and consider the ED’s interaction with the proposed FoFA legislation, including in relation to discrepancies between their respective positions on permissible remuneration practices (for example, the ED proposes a ban on trailing commissions from its operative date with retrospective effect, whereas FoFA proposes a ban to apply only to new clients from its date of commencement). Ideally this will allow the accounting profession to reach a confirmed and agreed position on appropriate remuneration practices (i.e. those that do not give rise to conflict of interest situations) that will enable the APESB and the accountancy profession to take a leading role in the debate on professional standards that are to apply under FoFA.</p> <p>We would welcome contributing to such further discussions with the APESB.</p>
48		KPMG	<p>You have invited comments as to whether the proposed Standard as a whole would be supported. We are pleased to have the opportunity to comment on the proposed Standard and welcome the initiative and overall spirit of the proposed Standard.</p> <p>We make the following main comments for your consideration.</p>
49		FSC	<b>Confidential Submission</b>
50		EY	<p>Ernst &amp; Young appreciates the opportunity to comment on the Accounting Professional and Ethical Standard (APES) 230 Financial Advisory Services (the ED).</p> <p>Ernst &amp; Young has contributed to the submission prepared by the Australian Public Policy Committee (APPC) which includes BDO, CPA Australia, Deloitte, Ernst &amp; Young, Grant Thornton, KPMG, PKF, PricewaterhouseCoopers, the Institute of Chartered Accountants in Australia and the National Institute of Accountants, lodged in Friday 22 October 2010.</p>
51		PB	<p>CPA Australia, the Institute of Chartered Accountants, and the National Institute of Accountants (the Joint Accounting Bodies) have considered the Exposure Draft and our comments follow. The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.</p> <p>We welcome the opportunity to comment on the Accounting Professional &amp; Ethical Standards Board (APESB) Proposed Standard APES 230 Financial Advisory Services.</p> <p>The Joint Accounting Bodies believe that any professional standard for members providing financial advice must meet the principal objective of assisting the availability of quality, affordable and understandable financial planning advice throughout Australia, including all regional</p>

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			<p>areas. We also believe that generally while it is the client who should be empowered to make an informed choice about the terms on which they choose to receive financial advice there is a need to ensure there is both an obligation and guidance to protect clients from inappropriate remuneration structures.</p> <p><b>The proposed standard and the Future of Financial Advice (FoFA) initiative</b></p> <p>Before any standard for members is finalised, consideration should be given to potential changes to the current regulatory landscape such as the proposed Future of Financial Advice (FoFA) reforms.</p> <p>The FoFA reforms announced by the Government earlier this year will potentially implement the most significant and extensive changes to the financial planning industry since the introduction of Financial Services Reform in 2001. While these reforms will be aimed at improving both the trust and confidence of the consumer in the financial planning industry and strengthening consumer protection, they will require financial planners to undertake considerable changes to their practices and systems.</p> <p>As part of the FoFA consultation process, Treasury has established a peak consultation group to review the reforms including professional standards for the industry, conduct and competency standards. The Joint Accounting Bodies have two representatives on this peak consultation group to represent the accounting profession. Given the significance of these reforms, we believe it is imperative that the APESB is also actively engaged in the FoFA consultations to ensure that it can both contribute to the process and be fully familiar with all outcomes.</p> <p>The Joint Accounting Bodies call on the APESB to defer issuing a standard to replace APS12 for financial advisory services that regulates members who provide licensed financial planning advice until the outcomes of the FoFA reforms are known. There are many benefits for deferring the issue of the standard including:</p> <ul style="list-style-type: none"> <li>• Primarily, avoiding any unintended consequences of implementing a standard which may conflict with potential Government regulation.</li> <li>• Avoiding duplication between APESB issued standards and government regulation;</li> <li>• Enabling consistency across the financial services industry.</li> <li>• Ensuring equity across all financial planners so that Members of the Joint Accounting Bodies are not unfairly placed at a competitive disadvantage to others in the market.</li> <li>• The opportunity to facilitate a more efficient transition of members' business systems and practices into a new environment.</li> </ul> <p>In the interim, APS 12 Statement of Financial Advisory Service Standards would continue to apply to Members. Once the outcomes of the FoFA reforms are known, we believe that the exposure draft of the proposed standard APES 230 should be redrafted and reissued for further comment.</p> <p>We have attached in the Appendices both a summary of our recommendations (Appendix 1) and detailed comments outlining our concerns with the current exposure draft (Appendix 2). However we reiterate our principal recommendation which is to defer finalisation of the APES 230 until the outcomes of the FoFA reforms are known.</p>

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52		ASIC	Confidential Submission

*Staff Instructions:*

- Comments of a “general” nature should be dealt with first, followed by paragraph specific comments.
- Respondents’ comments must be copied verbatim into this table.
- Comments should be dealt with in paragraph order, not respondent order.
- Use acronyms only for respondents. Update the attached table with details of additional respondents.

**RESPONDENTS**

1	CFP	Crossing Financial Partners
2	DMJ	Daniel Mendoza-Jones
3	DFG	Davidson Financial Group
4	LBA	Lockhart Business Advisors
5	FFA	Fitzpatricks Financial Advisers
6	ORT	Ortmanns Pty Ltd
7	CRA	Cooper Reeves Accountants
8	SG	Surbal Group
9	SD	Shane Dumbrell
10	RMFA	Roberts & Morrow Financial Services P/L
11	FFP	Forsythes Financial Planning Pty Ltd
12	FAA	Forum Accounting & Advisory
13	FMFS	FM Financial Solutions
14	RIA- MR	Roskow Independent Advisory - MR
15	RIA - NS	Roskow Independent Advisory - NS
16	BIA	Brocktons Independent Advisory
17	IFAAA	IFAAA
18	NEX	Nexia Court Financial Solutions Pty Ltd
19	CONFP	Continuum Financial Planners
20	HPW	Hewison Private Wealth
21	DMR	DMR Corporate Pty Ltd
22	AP	Advantage Partners
23	PMHFP	Port Macquarie Hastings Financial Planning Pty Ltd
24	CFS	Colonial First State
25	MFS	Managed. Financial Strategy
26	JR	Johnston Rorke
27	MS	Moore Stephens
28	KEN	Kennas
29	QPPC	Qld Public Practice Committee
30	GBWW	GBW Wealthcare
31	RT	Roland Tan



32	SCT	Strategic Consulting & Training Pty Ltd
33	PPA	Pitcher Partners Advisory Pty Ltd
34	CFPL	Curran Financial Pty Ltd
35	MHGL	McPhail HLG Financial Planning
36	FERB	Ferguson Betts
37	WB	William Buck
38	DFP	Direction Financial Planning
39	PU	Peter Uhlmann
40	BAG	Bosco Accounting Company Aust Ltd
41	GB	Greg Blaskett
42	PWC	PwC Australia
43	LFM	Landmark Financial Management Pty Ltd
44	KHFG	KH Financial Group
45	FPAA	Financial Planning Association of Australia Limited
46	DELOITTE	Deloitte Touche Tohmatsu
47	BG	Bongiorno Group
48	WHK	WHK Group Limited
49	KCA	Kothes Chartered Accountants
50	AMP	AMP Financial Services
51	AFAC	Accountant Financial Adviser Coalition
52	SPAA	SMSF Professionals' Association of Australia
53	Count	Count Financial Limited
54	MSC	Confidential Submission
55	CNIC	Cutcher & Neale Investment Services
56	FTS	Financial & Technical Solution Limited
57	GT	Grant Thornton Australia Limited
58	SHRB	Suzanne Hadden & Robert M. C. Brown
59	NCA	Noble Chartered Accountants
60	ISN	Industry Super Network
61	PB	The Joint Accounting Bodies
62	APPC	Australia Public Policy Committee
63	KPMG	KPMG
64	EY	Ernst & Young

65	FSC	Confidential Submission
66	ASIC	Confidential Submission