

Chairman
Accounting Professional & Ethical Standards Board
Level 7
600 Bourke Street
MELBOURNE VIC 3000

Dear Madam,

RE: Exposure Draft APES 230 – Financial Advisory Services

Thank you for the opportunity to comment on the proposed standard: APES 230 – Financial Advisory Services.

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.

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.

My comments on this proposed standard are as follows:

1. Definitions: Commissions: to save some words on this definition, after word “amounts” in the first line, insert words “howsoever derived” and delete all words occurring after words “respect of” and insert in their stead words “the management of a client’s funds.” I have some doubts as to the need or effectiveness of the long winded definition.
2. Definitions: Fee for Service: The claim that fee for service does not include “percentage based asset fees” is too narrow in its view and should be qualified. I agree that asset based fees such as trail commissions are inappropriate, are not tied to the delivery of service and are little more than loyalty fees paid by the product manufacturers. However, I would submit that true full service and pro-active management of a client’s affairs requires the continuing attention of an adviser to the following:
 - # Portfolio re-balancing
 - # Strategic planning – such as withdrawal and re-contribution, contribution splitting, pension administration, cash flow management, taxation issues, legislative change, personal circumstance changes.

- # Corporate actions, investment management, restructuring, risk management
- # Maintaining records and reporting
- # Personal communication, care and attention

Bearing in mind the above, asset based remuneration therefore is entirely appropriate given that it is easily understood by the client and transparent, i.e., the client can quite easily calculate the veracity of the fee.

Whilst the alternative is a fixed fee, I would argue that such an alternative is not entirely fair nor reasonable as over the past three years we have seen portfolio values that have fallen and in some cases considerably. It would be distasteful in such cases if fees remained static. There are also circumstances where capital withdrawals occur and/or additional deposits are made and where such events occur fees should be adjusted accordingly.

I would also argue that scale is an important factor, that is, the relative cost should be scaled according to the size of a portfolio on the basis that automated systems make it more cost efficient to manage a larger portfolio. Therefore, whilst the dollar cost may be greater the relative percentage cost to capital may be significantly lower. To try to base all this on an hourly rate is totally impractical and I would suggest to the point of being administratively impossible.

3. Definitions: Soft Dollar Benefits: given that this area is elaborated on further forward in the standard, it is suggested that the words "which may influenceby the member" be deleted without replacement. As "may influence" is not defined, the inclusion of these words add no value to the definition.
4. Para 3.9: the word "should" would be better as "must". The consideration of guidance issued by professional bodies and the appropriate regulatory bodies is not voluntary. It is an obligation.
5. Para 3.3: the first sentence of this paragraph should be changed to state that the permission "must" be in writing, not "preferable". The second sentence is fine the way it is and should be retained. Changing the first sentence to a "must" gives a clear message that formal permission is the only option, however the second sentence recognises that on some occasions, verbal permission is received and in those cases the permission must be backed up by a file note, instead of relying on a recollection.
6. Para 5.3: it is strongly suggested that the words in the fourth line "and the resulting professional independence" be deleted without replacement. It is sufficient to state the restriction and thus give the client the responsibility to interpret the restriction to their own affairs. To expect a member to comment on an effect on their own objectivity and independence as a result of a restricted service is bizarre.
7. Para 6.2, (c), (e) and (g); sub paras (e) and (g) are well covered by (c). Are (e) and (g) necessary or perhaps (c) should be expanded instead?
8. Pare 6.3: this provision should be altered to instead only provide for a renewed disclosure where there is a change in the details of and/or the methodology used for

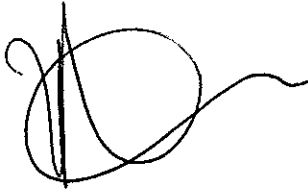
determining the fee for service. As it is, this requirement creates work that adds no real value to the client.

9. Para 10.2: if the intention is to require members to have a register for this purpose, the register should be defined in "definitions" and should include the information that needs to be recorded. In terms of the requirement in this paragraph for trivial or insignificant soft dollar benefits to be recorded, the need for such a burden is doubtful. If the benefit is deemed to be insignificant or trivial, that alone should be sufficient. To require recording of such trivial benefits as well is nothing short of overkill and adds yet more "overhead" without any real benefit.

I appreciate the opportunity to comment on this exposure draft.

Please contact me if you wish to discuss any of the above.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Hewison', with a stylized flourish extending to the right.

John Hewison
CFP®, MFinPlan, FPPA, FAICD, FAIM, JP.
Chief Executive Officer / Director
HEWISON PRIVATE WEALTH