

Media Release

24 July 2012

APESB calls for comments on new financial planning services standard

The APESB has today released a second exposure draft of APES 230 *Financial Planning Services* for public comment following consideration of responses to the exposure draft issued in June 2010.

An *Explanatory Memorandum* has also been released to provide background to the development process and rationale for the Board's key decisions.

"The proposed new standard for accountants practising as financial planners has been under development since late 2007 and has gone through several public consultations as well as stakeholder consultations. The fundamental ethical principles in this exposure draft are consistent with the first exposure draft and they align with APES 110 *Code of Ethics for Professional Accountants*. Amendments have been made, where appropriate, that reflect stakeholder feedback and the *Future of Financial Advice (FoFA)* legislative reforms. The Board considered that in the circumstances it was appropriate to provide a further exposure draft and a comprehensive *Explanatory Memorandum* rather than moving directly to issuing the standard, given the nature of some of the changes and the level of stakeholder interest," APESB Chair Kate Spargo says.

The proposed APES 230 will supersede the existing APS 12 *Statement of Financial Advisory Service Standards* (APS 12). It will apply to all members of Australia's three major professional accounting bodies who provide financial planning advice as defined in the Exposure Draft.

The most significant change from APS 12 in the new proposed standard is that it will introduce mandatory requirements on fee-setting and third party payments, replacing what had previously only been guidance.

Members will be prohibited from receiving commissions from third parties and from setting their fees on the basis of conflicted remuneration methods such as a percentage of clients' assets. These practices involve conflicts of interest and create threats to members' objectivity and impartiality. Instead members will be required to set their fees based on the service they provide, taking into account factors such as the scope, scale and complexity of the financial advice and the expertise of the financial planner and their staff.

"Accountants who do not currently provide financial planning advice on a fee for service basis will need to make changes to the way they conduct business. The Board is setting a high standard for members of the accounting bodies and it believes that this will contribute to the ongoing professionalism of those accountants and by doing so, enhance consumer confidence and loyalty," Ms Spargo explains.

"The Board has given due consideration to all stakeholder feedback and we are confident that the proposed standard protects the interests of clients and the general public who look to accountants for professional and impartial financial planning advice," Ms Spargo says.

To review a copy of the draft APES 230 *Financial Planning Services* or for further information please visit: www.apesb.org.au. Feedback on the proposed changes should be received by APESB no later than 7 September 2012. Once finalised, it is expected that APES 230 *Financial Planning Services Standard* will be operative from 1 July 2013.

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Note to Editors: The APESB is an independent body that sets the code of ethics and professional standards by which members of Australia's three professional accounting bodies are required to abide.