

30 June 2010

Accountants face commissions and percentage-based asset fee ban in 2011

Accountants who are financial planners face stringent new professional requirements including the banning of commissions and percentage-based asset fees under the proposed new standard issued today by the Accounting Professional & Ethical Standards Board (APESB).

Under the proposed standard APES 230 *Financial Advisory Services*, which is effective from 1st July 2011, members of Australia's three professional accounting bodies who are financial planners must only charge clients on a legitimate fee for service basis.

The fee for service basis in the proposed standard prohibits all remuneration practices which are based on product sales or the accumulation of funds under management, including commissions, percentage-based asset fees and production bonuses.

While the federal government's proposed new laws will see a ban on percentage-based asset fees when clients use gearing strategies to invest, APESB has gone a step further with their proposed standard APES 230 *Financial Advisory Services*, which will impose a prohibition on percentage-based asset fees regardless of gearing.

APESB Chairperson Kate Spargo welcomes the new standard as a turning point in renewing people's confidence in their financial planners.

"Accountants have a professional obligation to act in the public interest when providing professional services, including financial advisory services. They also have fiduciary obligations to their clients. Accordingly, accountants must not use remuneration practices that cause conflicts of interest if they are to comply with these obligations," said Ms Spargo

"Inappropriate financial advice driven by conflict of interests and culminating in such fiascos as Storm Financial and Opes Prime, has seen so many Australians suffer financial loss. We have an obligation to strengthen the safeguards for clients through the introduction of stricter requirements.

"Clients place much trust in accountants when following their advice on wealth management, retirement planning and related matters. It's therefore vital that accountants provide these services whilst complying with the highest professional and ethical standards" she said.

APES 230 will supersede the existing APS 12 *Statement of Financial Advisory Standards* and is currently at the exposure draft stage, with comments invited by 15 September, 2010

Details of how to provide a submission are available on the APESB website

www.apesb.org.au

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Notes 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.