

## Review of Submissions – General Comments

## Consultation Paper 01/19: Review of APES 230 Financial Planning Services

*Note: Specific comments relating to CP 01/19 are addressed in a separate table. This table excludes minor editorial changes.*

Item No.	Respondent	Respondents' Comments
1	AFA	<p>The Association of Financial Advisers Limited (AFA) has served the financial advice industry for over 70 years. Our objective is to achieve <i>Great Advice for More Australians</i> and we do this through:</p> <ul style="list-style-type: none"> <li>• advocating for appropriate policy settings for financial advice</li> <li>• enforcing a Code of Ethical Conduct</li> <li>• investing in consumer-based research</li> <li>• developing professional development pathways for financial advisers</li> <li>• connecting key stakeholders within the financial advice community</li> <li>• educating consumers around the importance of financial advice</li> </ul> <p>The Board of the AFA is elected by the Membership and all Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.</p> <p><b>Introduction</b></p> <p>The AFA appreciates the opportunity to make a submission as part of this consultation by the APES Board with respect to APES 230 Standard on financial Planning Services.</p>
2	BWM	<p>Please find attached our submission in relation to the review of APES 230. We appreciate you taking the time to consider its content and thank you for granting us an extension. Our comments relate to the appropriateness of the standard in the current legislative and regulatory environment and the ongoing changing landscape for financial services more broadly.</p> <p>Our response is provided in the context of a multi-disciplinary financial services business, offering a range of professional services to our professional retail clients, including</p> <ul style="list-style-type: none"> <li>• tax and accounting</li> <li>• superannuation</li> <li>• wealth management</li> <li>• personal risk management</li> </ul>

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		<ul style="list-style-type: none"> <li>• residential finance.</li> </ul> <p>We are in an environment striving to restore trust in the community, increase transparency, reduce red tape, make advice as affordable as possible and improve simplicity and clarity for our team and clients.</p> <p>We are passionate about providing advice to our clients, helping them manage, grow and protect their wealth and to spend as much time as possible face to face with them. This means collectively the Government and Professional Bodies need to consult and work collaboratively to provide clear and streamlined legislation, codes of conduct and best practice principles.</p> <p>As a business we are currently investing heavily in further education as required by FASEA. This has and will continue to place a further impost on business productivity, profitability and time available to see clients.</p>
3	CA ANZ	<p>Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to comment on the Consultation Paper (CP 01/19): Review of APES 230 Financial Planning Services. We have long advocated for industry reform to ensure that more consumers are able to access affordable, high quality, ethical and professional financial advice.</p> <p>CA ANZ is a professional body comprised of over 120,000 members, including more than 25,000 members in public practice in Australia. Our members work in a wide range of roles in the financial services industry, as individual advisers as well as in small businesses, small and medium-sized accounting practices, the corporate sector, major financial institutions and financial product manufacturers.</p>
4	CPAA	<p>CPA Australia represents the diverse interests of more than 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.</p> <p>CPA Australia values the opportunity to respond to the Accounting Professional and Ethical Standards Board (APESB) <i>Consultation Paper: Review of APES 230 Financial Planning Services</i> (the "Consultation Paper").</p>
5	IPA	<p>The Institute of Public Accountants (IPA) welcomes the opportunity to offer our views on Consultation Paper: APES 230 <i>Financial Planning Services</i>. The IPA has undertaken extensive member consultation in drafting this submission, including issuing a survey and holding one-on-one discussions. We have approximately 1,000 members who practice in the financial advice space, whether as full or limited AFSL holders and as authorized representatives.</p>
6	IPA	<p>The IPA is one of the three professional accounting bodies in Australia, representing over 38,000 accountants, business advisers, academics and students throughout Australia and internationally. Three-quarters of the IPA's members work in or are advisers to the small business and SME sectors, including many that operate small practices.</p>
7	PP	<p>Thank you for the opportunity to consider Consultation Paper 01/19 and to provide our views as a stakeholder in respect of issues raised and the impacts of APES 230 and its application on our profession and our business.</p>
8	PP	<p><b>APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</b></p> <p>As a member of a Chartered Accounting firm, Pitcher Partners Investment Services Pty Ltd and its representatives are required to comply with the Professional Standards. As such, Pitcher Partners Investment Services Pty Ltd and its representatives are expected to observe the Australian Professional and Ethical Standards Board (APESB) 110 - Code of Ethics for Accounting Professionals.</p>

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		<p>The Code requires Members to comply with the five fundamental principles of ethics including integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The Code also requires Members to apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles. Applying the conceptual framework requires exercising professional judgement, remaining alert for new information and to changes in facts and circumstances, and using the reasonable and informed third party test.</p> <p>These fundamental principles and the conceptual framework will apply in all circumstances when a Financial Planning Service is being provided by a member firm or a representative of a member firm.</p>
9	RB and SH	<p><b>Historical Context</b></p> <p>The current version of APES230 was issued in April 2013. It may be viewed as a transitional standard in the long journey towards true professionalism in financial planning. This transition is no more stark than in the matter of adviser remuneration which was clearly the most controversial part of the debate in developing the current standard.</p> <p>A compromise was reached by the APESB, allowing members to choose between adopting a genuine fee for service approach to financial planning/advice ('<b>level 1</b>') or retaining the long-standing status quo of commissions, asset fees and other forms of conflicted remuneration with some safeguards, principally the need to obtain 'informed consent' ('<b>level 2</b>').</p>
10	WB	<p>We refer to previous submissions dated 6 October 2010 and 21 August 2012 and the most recent Consultation Paper: Review of APES 230 <i>Financial Planning Services</i> dated December 2019.</p> <p>We note the following major points upon review of the Consultation Paper:</p> <ul style="list-style-type: none"> <li>- Accounting Professional &amp; Ethical Standards Board Ltd (APESB) is performing a review of APES 230 Financial Planning Services (APES 230), to ensure it remains appropriate in the midst of recent legislative and regulatory changes that have occurred in the financial services industry.</li> <li>- <b>The Board's view has been that third party payments (such as commissions) and fees based on funds under management result in an actual or perceived conflict.</b></li> <li>- APES 230 specifies the professional and ethical obligations of Members who provide financial planning services. It covers advice provided under an Australian Financial Services Licence (AFSL) or Australian Credit Licence (ACL).</li> <li>- The scope of APES 230 is broader than the Future of Financial Advice (FOFA) legislation (2012) as it <b>applies to activities such as mortgage broking and extends to wholesale clients.</b></li> <li>- APESB undertook a consultation on the post-implementation review of APES 230 in 2017 which had diverging views about whether APES 230 should transition to a fee for service approach. The Board has determined to undertake further stakeholder engagement in relation to APES 230.</li> <li>- APESB is seeking comments from stakeholders to assist in a review of APES 230 relating to changes in the financial planning services' legal and regulatory environment.</li> </ul> <p>Our submission is focused on question 4 of the Consultation Paper:</p>
11	AFA	<p>It is important to note that since the release of this consultation paper on 17 December 2019, there have been two key developments relevant to this standard:</p>

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		<ul style="list-style-type: none"> <li>• On 20 December 2019, FASEA released a document titled "Preliminary Response to Submissions – FG002 Financial Planners and Advisers Code of Ethics 2019 Guidance". This document answered some of the questions that have emerged since the release of FG002 Financial Planners and Advisers Code of Ethics 2019 Guidance on 18 October 2019. It also highlighted FASEA's commitment to further consultation, as part of a process to provide greater certainty for the financial advice sector.</li> <li>• On 31 January 2020, the Australian Treasury released a large batch of exposure draft legislation, including a response to Recommendation 2.1 from the Royal Commission on Annual Renewal and Payment and Recommendation 3.3 on the payment of advice fees from superannuation accounts.</li> </ul> <p>It is our view that both of these releases are an important element in the broader regime for financial advice fees and remuneration and are relevant to the review of APES 230. They are however, clearly both just steps in the journey towards providing clarity and certainty with respect to the ultimate requirements. The final outcome with respect to the FASEA Code of Ethics and the changes to the Corporations Act to implement Annual Renewal may still take some months to emerge. The APES Board will need to be conscious that this consultation on APES 230, is being undertaken in the absence of broader regulatory certainty.</p> <p>Many of the key stakeholders in the financial advice sector have made submissions to both FASEA on the Code of Ethics and Treasury on Recommendations 2.1 and 3.3. FASEA have not made a habit of releasing the submissions that they receive from industry stakeholders, however Treasury normally do, although it may take some time. It would be sensible for the APES Board to seek input on the consultation undertaken by both FASEA and the Treasury.</p>
12	CA ANZ	<p>We believe there is, and will continue to be, a need for trusted advisers to look after the financial advice needs of everyday Australians. This will be best served by retaining Chartered Accountants in the financial advice industry and we will continue our efforts to support this. Any exodus of CAs is likely to significantly reduce the overall level of training and expertise in the industry and be contrary to the overall objectives of the new legislation.</p> <p>We therefore need to be mindful that any additional regulation adds to costs for our members, and these costs often need to be passed on to consumers. Higher costs of advice lead to less consumers being able to afford it whereas in reality – the government has acknowledged more consumers actually need it. We have a financial literacy issue, we have an ageing population and we need to be able to provide advice to assist with self-funding in retirement.</p>
13	CA ANZ	<p><b>Introduction</b></p> <p>Accounting Professional &amp; Ethical Standards Board Limited (APESB) is performing a review of APES 230 <i>Financial Planning Services</i> (APES 230), to ensure that it remains appropriate in the midst of the significant developments, including legislative and regulatory changes, that have occurred and are ongoing in the financial services industry.</p> <p>It is therefore critical that the APESB takes into consideration the wider regulatory environment in which financial planners operate, which can be summarised in the table below:</p>

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		<p><b>Complex current state for CAs in retail advice...</b></p> <table border="1"> <thead> <tr> <th></th> <th>ASIC</th> <th>TPB</th> <th>fasea</th> <th>Proficiency body APESL</th> <th>Disciplinary model (TBC)</th> </tr> </thead> <tbody> <tr> <td>Registrations</td> <td>✓</td> <td>✓</td> <td>✗</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Levies</td> <td>✓</td> <td>✗</td> <td>✗</td> <td>✗</td> <td>TBC</td> </tr> <tr> <td>CPD</td> <td>APESL reports non-compliance to ASIC</td> <td>✓</td> <td>✓ (Specify 40 hours net necessarily in harmony with other)</td> <td>✓ (Does not own and comply with multiple including CA ANZ, CPAA, FPA, SMSFA)</td> <td>TBC</td> </tr> <tr> <td>Codes of Ethics</td> <td>✗</td> <td>✓ (TPB set and monitor)</td> <td>✓ (Own Code not yet finalised)</td> <td>✓ (Across multiple incl CA ANZ, CPAA, FPA, SMSFA + APESL Codes)</td> <td>Monitor FASEA CoE</td> </tr> </tbody> </table> <p>16 CoE: Code of Ethics; FPA: Financial Planning Association; SMSFA: Self Managed Super Fund Association; APESL: Accounting Professions &amp; Ethics Standards © The Institute of Cost Accountants of Australia 2019</p> <p>APES 230 <i>Financial Planning Services</i> (APES 230) must work in conjunction with our collective desire to remove the need for multiple licences, registrations, regulators and associated levies. We need to reduce the costs of providing financial advice and develop a framework that encourages consumers to seek affordable quality advice (increase financial literacy) that helps improve their financial well-being.</p> <p>We urge the APESB to carefully consider any changes to APES 230 whilst we are in a period of such change. Further, we urge the APESB to be a principles-based standard rather than being bogged down in legislative issues, hence our request for legislative issues by which members must conform (by law) to ideally be removed from this standard.</p> <p>CA ANZ has been an active participant in responding to the findings of The Commissioner, the Honourable Kenneth Hayne AC QC when he submitted his final report to the Governor-General on 1 February 2019.</p> <p>We specifically request the APESB to be aware of the draft legislation and associated Legislative Instruments in relation to the <i>Royal Commission into Misconduct in the Banking, Superannuation and Financial Services</i> (the Royal Commission) which are currently being released, as these will shape the legislative framework for the future that all financial advisers must observe.</p> <p><b>In our view, APES 230 cannot be finalized until such time as the legislation resulting from the Royal Commission findings has been completed.</b></p>		ASIC	TPB	fasea	Proficiency body APESL	Disciplinary model (TBC)	Registrations	✓	✓	✗	✓	✓	Levies	✓	✗	✗	✗	TBC	CPD	APESL reports non-compliance to ASIC	✓	✓ (Specify 40 hours net necessarily in harmony with other)	✓ (Does not own and comply with multiple including CA ANZ, CPAA, FPA, SMSFA)	TBC	Codes of Ethics	✗	✓ (TPB set and monitor)	✓ (Own Code not yet finalised)	✓ (Across multiple incl CA ANZ, CPAA, FPA, SMSFA + APESL Codes)	Monitor FASEA CoE
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14	CPAA	<p>Over the years since APES 230 <i>Financial Planning Services</i> (APES 230) was first issued there has been considerable regulatory change in the area of financial planning services. The Consultation Paper refers to several of those key regulatory developments—the <i>Future of Financial Advice</i> (FoFA), the <i>Royal Commission into Misconduct in the banking Superannuation and Financial Services Industry</i> (Financial Services Royal Commission), and the establishment of the <i>Financial Adviser Standards and Ethics Authority</i> (FASEA)—some of which are still ongoing, with the impacts yet to be fully known.</p>																														

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		<p>The focus of these changes largely has been to address public's concerns and expectations about the inappropriate behaviours and actions of some participants in the financial planning sector, and to enforce higher professional and ethical standards with the aim of promoting enhanced service quality, accessibility and transparency for those seeking professional financial planning advice.</p> <p>The evolving regulatory landscape makes reviewing APES 230 a challenging proposition, at this time.</p> <p><b>Timing of a Review of the Standard</b></p> <p>The current changing regulatory environment for financial planning services makes it a difficult and complex task to revise APES 230. The government's response to the recommendations of the Financial Services Royal Commission, and the implementation of requirements imposed by FASEA, will have a potentially significant impact on the financial planning profession, and the provision of financial planning professional services. Additionally, the significant structural changes in the market for these services – e.g., major banks exiting the market for the provision of personal financial advice to retail customers – makes it difficult to envisage the environment into which a revised APES 230 would be placed.</p> <p>CPA Australia is of the view that to aim to revise APES 230 at this time may lead to potential sub-optimal outcomes, that may require further revision to the standard at a later date, once the full impacts of current legislative, regulatory, and market changes become more apparent.</p> <p><b>Recommendation:</b> APESB delays the review of APES 230 until after the government's responses to the recommendations of the Financial Services Royal Commission have been identified and enacted.</p>
15	IPA	<p>There has been bipartisan support for the acceptance and implementation of the 76 recommendations. We have been advised that the Government intends to introduce legislation into Parliament by June this year and we anticipate that the Federal Budget 2020 will contain measures to implement the recommendations. Therefore, the IPA contends that it is (still) premature for APESB to review and amend APES 230. We are not aware of any urgency or compelling reasons as to why APESB wishes to review APES 230 ahead of the implementation of the Royal Commission.</p> <p>The fact that since 2013 there has been transformational and ongoing change in the financial advice space indicates that any proposed changes by APESB may be not only premature but also, respectfully, unnecessary.</p> <p>In addition, the Financial Adviser Standards and Ethics Authority (FASEA) has progressed its remit, with the Code of Ethics commencing on 01 January 2020. As stated on the FASEA website, the Code of Ethics [is] a principles-based standard designed to professionalise the sector by committing advisers to a high standard of providing an ethical and professional service.</p> <p>In any event, we have consulted with IPA members on the questions posed in the Consultation Paper and have asked them for any additional feedback or comments more broadly.</p> <p>We refer to the questions in the Consultation Paper:</p>
16	PP	<p><b>The Current Environment for Financial Planning Services</b></p> <p>The financial services industry is possibly the most highly regulated industry within Australia, with additional laws and regulations being introduced even as we prepare this response.</p> <p>Within this industry, the providers of financial planning and investment advisory services are perhaps the most regulated of all industry participants and the recent introduction of The Financial Adviser Standards and Ethics Authority (FASEA) is further evidence of this regulation. This body has been charged with the responsibility for developing the standards and ethics under which all ASIC registered financial advisers must comply.</p>

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		<p>In recent times, the industry has received poor publicity and regulatory attention, particularly across the corporate financial services and banking sectors of the Australian market. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission), and the APRA Laker prudential inquiry into the Commonwealth Bank of Australia are just two examples.</p> <p>As a result of the Financial Services Royal Commission findings and the recommendations contained within the final report, the corporate players in this space are remediating, spinning off and/or are selling their financial planning, investment advisory, insurance and investment management divisions. We are beginning to see a rise in independently owned financial planning and investment advisory firms and a highly competitive market place.</p> <p>There were 76 recommendations proposed by the Financial Services Royal Commission and it is expected that each of these recommendations will be implemented in full. Only a few of these recommendations have been implemented to date.</p> <p>In addition, the regulatory environment within Australia has become more adversarial. ASIC, AUSTRAC, APRA and other government bodies are taking a 'why not litigate?' stance to deter future misconduct and to address community expectations. This is creating a challenging environment as industry participants are likely to be penalised even for self-reporting.</p> <p>In this market place, the rising costs of compliance and the introduction of the new education requirements are placing the industry and many of its participants under a great deal of stress and regulatory fatigue. Advisers are leaving the industry in large numbers and we believe this exodus will continue for the next few years.</p>
17	PP	<p>The FASEA Code of Ethics only commenced from 1 January 2020 and the FG002 Financial Planners and Advisers Code of Ethics 2019 Guidance was recently released. We believe there will be further clarification issued to the industry over the course of 2020.</p> <p>In light of this expected clarification and the changing regulatory environment, we question whether it is an appropriate time to be contemplating substantial changes to APES 230.</p>
18	RB and SH	<p>Since 2013, much has happened, including the revelations of the Hayne Royal Commission, the banning of grandfathered commissions and the establishment of the Financial Adviser Standards and Ethics Authority (FASEA). The latter issued a mandatory <b>Code of Ethics</b> for financial planners/advisers, effective 1 January 2020.</p>
19	CPAA	<p><b>Duplication of Legislative and Regulatory Requirements</b></p> <p>It is important that professional standards do not merely duplicate the legislative and regulatory requirements that are imposed on professional accountants. Indeed, there is a danger that by aiming to replicate such requirements, the use of a different definition, a different word, or a cross reference to another standard (e.g., APES 110 <i>Code of Ethics for Professional Accountants</i>), may inadvertently make the requirement in a standard differ from legislative and regulatory requirements.</p> <p>Therefore, instead of duplicating legislative and regulatory requirements, consideration should be given to whether APES 230 should be focused on professional obligations and expectations, that are considered to be in the public interest but are not currently addressed by law or regulations. The challenge is to ensure that conflicting obligations and requirements are not created. Moreover, an aim to not duplicate legislative and regulatory requirements in a standard requires one to consider whether a standard, or another pronouncement by the APESB, is the best way to detail the broader expectations of professional accountants in providing financial planning services.</p> <p><i>Recommendation: APES 230 does not include requirements that duplicate existing legislative and regulatory requirements. Consideration might be given to the type of pronouncement by APESB that best meets the public's and users' needs and expectations, and whether it might be preferable to include references in the standard to relevant legislation and regulatory requirements.</i></p>

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20	CPAA	<p><b>Need for Clear Scope and a Clear Definition</b></p> <p>In the Consultation Paper, under the section discussing the scope of APES 230, the APESB appears to provide an interpretation of the definition of financial planning services. It notes that certain words of the definition should be interpreted in a manner which is "generally read". It continues to explain that the definition intends to cover a very broad range of advice services; beyond just product advice captured under an Australian Financial Services (AFS) licence or Australian Credit Licence (ACL); as well as covering mortgage broking services.</p> <p>This is problematic and creates significant complexity for a standard that aims to impose broad, general requirements across a range of activities; each of which is subject to its own extensive, and different, regulatory framework. It is worth noting that regulatory obligations and requirements for services provided under an AFS licence are not identical to regulatory obligations and requirements for services provided under an ACL. This is without giving consideration to the other services that the APESB states are covered by APES 230.</p> <p>Given the complex nature of this area, it is imperative that the APESB aims to be very clear on the services that it intends to cover in a revised APES 230. Equally important is that the APESB also clarifies the services that would not be covered by the standard. By doing so, it may assist the APESB in determining the type of pronouncement that will best meet the public's and users' needs and expectations (refer earlier comments).</p> <p><b>Recommendation:</b> APES 230 should be very clear with respect to the scope of the standard, and the definitions that are used to describe the services that are captured by the standard; as well as being clear on those services which are not captured by the standard.</p>
21	PP	<p><b>Application of the FASEA Code of Ethics</b></p> <p>We note on page 7 of your consultation paper that "APES 230 impacts upon a broader population of clients than the FASEA Code as it covers all clients (not just retail clients) and includes services provided under an ACL." We do not agree with your position that FASEA only applies to retail clients as the application of FASEA is to the adviser and not the client. FASEA applies to any relevant provider who provides personal advice to a retail client and who therefore must be registered on the ASIC Financial Adviser Register (FAR). It is our understanding that the FASEA Code will apply to any advice provided by a relevant provider, regardless of whether the advice is provided to a retail or wholesale client.</p> <p>Pitcher Partners Investment Services Pty Ltd holds an AFSL with scope to provide personal advice and to deal in a broad range of products. As such, all representatives are deemed to be relevant providers and are required to be registered on the ASIC Financial Adviser Register (FAR). All relevant providers are therefore required to comply with the FASEA Code of Ethics. A representative cannot avoid the application of the Code simply because the client satisfies a 'wholesale client' test.</p>
22	CPAA	<p><b>Remuneration</b></p> <p>APESB discusses remuneration in the Consultation Paper, focusing primarily on issues relating to fee for service remuneration – and considers whether the standard should require fee for service only – and what is described as conflicted remuneration (i.e., third party payments, such as commissions).</p> <p>In submissions in 2012 and 2017 to the APESB, CPA Australia stated its support for a transition to fee-for-service for the financial services sector. We again state our support for such a transition.</p> <p>However, problems are encountered in including a fee-for-service only requirement in APES 230, given the breadth of the scope of the standard and the definitions used (see earlier comments). Credit advice remuneration is largely commission based; and early indications from the government when initially responding to the recommendations of the Financial Services Royal Commission are that it may continue to permit commissions-based remuneration for mortgage brokers. Moreover, APES 110 <i>Code of Ethics for Professional Accountants</i> anticipates that professional accountants may be remunerated through commissions, employing a threats and safeguards approach to ensuring that any conflicted remuneration has had conflicts reduced to an acceptable level.</p>

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		<p>Therefore, if the scope and definitions are not clarified and specified, having one fee-for-service requirement in APES 230 may be problematic.</p> <p><b>Recommendation:</b> Requirements in APES 230 relating to remuneration for professional services should be consistent with the remuneration requirements in legislation, regulations and in APES 110 Code of Ethics for Professional Accountants, unless there are clear public interest arguments for deviating from agreed or required practice.</p>
23	PP	<p><b>Fee for Service</b></p> <p>We disagree with your position that "There is now also a broader shift towards fee for service in respect of financial services from both a legislative and regulatory perspective". While there have been bans on commission and other forms of conflicted remuneration, no legislation or regulations have been passed or proposed which require a 'fee for service' arrangement other than by the default banning of conflicted remuneration.</p> <p>We also disagree with your position that there has "been a broader focus" within the industry on fee for service arrangement "as a way of enhancing the independence and quality of financial planning advice". Any suggestion that quality is enhanced under a fee for service model is misleading and wrong.</p> <p>Financial planning advice provided in isolation (i.e. no product advice) has always been charged on a fee for service basis. This has not changed.</p> <p>In addition, the claim that there has been a broader shift towards fee for service is a statement that hides the fact that advisers have been forced <u>away</u> from conflicted remunerations such as commission-based remuneration.</p> <p>You then provide two examples to support your claim. The ADF Financial Services Consumer Centre only provides a referral program and does not restrict personnel to fee for service advice. The Profession of Independent Financial Advisers (PIFA) (previously the Independent Financial Advisers Association of Australia) has only approximately 50 advisers from across Australia despite being in existence for several years.</p> <p>These examples are hardly supportive of a 'broader focus' or a 'broader shift' and are not representative of the industry or of Members of the professional accounting bodies.</p> <p>You undertake no analysis with respect to the underlying client bases (e.g. age, wealth, stages of life, needs and profiles, etc), the investment platforms used, amounts of investments offered (if at all), the complexities of the clients or the relative successes of these firms in winning and retaining clients during all market conditions.</p>
24	RB and SH	<p><b>Principal Reform Required in APES230</b></p> <p>Given the above-mentioned developments which are well outlined in the APESB's Consultation Paper CP 01/19, we submit that the time has come in the evolution of the discipline of financial planning/advice to mandate the '<b>level 1</b>' version of APES230 (as originally announced by the APESB in November 2012, but never implemented) and to remove '<b>level 2</b>'.</p> <p>Such action will clearly reflect:</p> <ul style="list-style-type: none"> <li>a) The findings of Commissioner Hayne concerning the systemic detrimental impact of conflicts of interest in the financial planning industry (and the wider financial services industry);</li> <li>b) The intention of Commissioner Hayne and FASEA's Code of Ethics, especially standard 3 of the Code, which requires advisers to avoid (not just disclose) conflicts of interest;</li> <li>c) The recent finding of an important research project by the Australian Securities and Investments Commission and the Dutch Authority for Financial Markets that disclosure of conflicts doesn't work and should be replaced by their avoidance ("Disclosure: Why it shouldn't be the Default" October 2019); and</li> </ul>

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		d) The Australian community's expectations of the accounting profession as the principal trusted source of conflict-free financial planning advice.
25	RB and SH	<p><b>Training Services for Implementation</b></p> <p>As was the case in the current version of APES230, it will be important that there be adequate training services offered for the implementation of the standard. Therefore, we encourage the accounting bodies to plan for this requirement, including partnering with reputable specialist training organisations in the private sector which have knowledge in the field of financial planning and advice.</p>
26	IPA	<p>In undertaking this consultation, it is apparent that our members hold divergent views on the proposals put forward in the Consultation Paper.</p> <p>The IPA's response to the Consultation Paper is contained in the attached Annexure.</p> <p>The IPA promulgated Pronouncement 11 in place of APES 230, which effectively follows the requirements of the <i>Corporations Act 2001</i> (Corporations Act).</p>
27	IPA	<p>In our submission to APESB in June 2017 on the last post-implementation review of APES 230, the IPA concluded that given all of the events occurring since APES 230 was issued in 2013, that it was no longer required, and was in fact, superfluous. Since that submission the <i>Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry</i> (Royal Commission) was undertaken and concluded with 76 recommendations, of which the Government has accepted all 76.</p>
28	AFA	<p><b>Concluding Remarks</b></p> <p>The AFA recognises the lead taken by the APES Board in the original introduction of APES 230 and that this standard is now the subject of review. We trust that our input on these issues will be beneficial in the understanding of the current environment for financial advice and the existing substantial agenda for reform.</p> <p>The AFA welcomes further consultation with the Accounting Professional and Ethical Standards Board should it require clarification of any points raised in this submission. If required, please contact us on (02) 9267 4003.</p>
29	BWM	<p>In a Post Royal Commission world and following the implementation of the FASEA Code of Ethics we agree now is the time to review APES 230.</p> <p>Our feedback is set out in the table below.</p>
30	CA ANZ	If you would like to discuss our submission, please do not hesitate to contact Bronny Speed FCA, Leader - Financial Advice on (02) 8078 5442 or at <a href="mailto:bronny.speed@charteredaccountantsanz.com">bronny.speed@charteredaccountantsanz.com</a> .
31	CPAA	<p>Responses to the specific questions included in the Consultation Paper are detailed in the Attachment to this letter.</p> <p>If you require further information on the views expressed in this submission, please contact Josephine Haste CPA, Policy Adviser – Ethics and Professional Standards, on +61 3 9606 9693 or at <a href="mailto:Josephine.Haste@cpaustralia.com.au">Josephine.Haste@cpaustralia.com.au</a>.</p>
32	IPA	If you have any queries or would like further information about our submission, please don't hesitate to contact Vicki Stylianou, Group Executive, Advocacy & Technical, either at <a href="mailto:vicki.stylianou@publicaccountants.org.au">vicki.stylianou@publicaccountants.org.au</a> or mob. 0419 942 733.

Item No.	Respondent	Respondents' Comments
33	PP	<p>We thank you for the opportunity to consider the Consultation Paper. We welcome any opportunity to further discuss any of our opinions or points that we have raised in our response to the Consultation Paper.</p> <p>If you have any questions in relation to our response, please contact Geoff Gray directly on (03) 8610 5363 or via email at <a href="mailto:geoff.gray@pitcher.com.au">geoff.gray@pitcher.com.au</a>.</p>
34	WB	<ul style="list-style-type: none"> <li>- We have a reputable financial planning business. There have been many challenges to this business over the years, however, we have always sought to do the right thing by our clients and will continue to do so.</li> </ul>
35	CA ANZ	<p><b>Appendix A</b></p> <p><b>Chartered Accountants Australia and New Zealand</b></p> <p>CA ANZ is made up of over 120,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.</p> <p>Members of CA ANZ are known for professional integrity, principled judgment and financial discipline, and a forward-looking approach to business.</p> <p>We focus on the education and lifelong learning of members and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.</p> <p>We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance, and Chartered Accountants Worldwide, which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.</p>

### Respondents

1	AFA	Association of Financial Advisers Ltd
2	BWM	Bongiorno Wealth Management Financial Planning
3	CA ANZ	Chartered Accountants Australia and New Zealand
4	CPAA	CPA Australia
5	IPA	Institute of Public Accountants
6	PP	Pitcher Partners Investment Services Pty. Ltd.
7	RB and SH	Robert M C Brown AM BEc FCA and Suzanne Haddan FCPA (FPS) CFP
8	WB	William Buck Wealth Advisors (SA) Pty Ltd