



**Consultation Paper: Post-Implementation review of APES
230 *Financial Planning Services***

Prepared and issued by **Accounting Professional & Ethical Standards Board
Limited**

Commenting on this Consultation Paper

Comments on this Consultation Paper are requested by **30 June 2017**.

Comments should be addressed to:

The Chairman
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Level 11, 99 William Street
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E-mail: sub@apesb.org.au

A copy of all submissions will be placed on public record on the APESB website:
www.apesb.org.au.

Obtaining a copy of this Consultation Paper

This Consultation Paper is available on the APESB website: www.apesb.org.au.
Alternatively, any individual or organisation may obtain one printed copy of this Consultation Paper without charge until **30 June 2017** by contacting:

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Reasons for issuing Consultation Paper 01/17

Accounting Professional & Ethical Standards Board Limited (APESB) is performing a post-implementation review of APES 230 *Financial Planning Services* (APES 230).

APESB issues this Consultation Paper to inform its post-implementation review of APES 230 and to obtain the views of stakeholders in respect of key issues relating to its application.

Request for comments

Comments are invited on this Consultation Paper: Post-Implementation Review of APES 230 *Financial Planning Services* by **30 June 2017**.

APESB would prefer that respondents express a clear opinion on the specific questions raised and that opinions are supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view in respect of the post-implementation review of APES 230.

Post-Implementation Review of APES 230 *Financial Planning Services*

Background

APES 230 *Financial Planning Services* (APES 230) specifies the professional and ethical obligations of Members¹ who provide financial planning services.

APES 230 was issued in April 2013 and commenced with effect from 1 July 2014. The provisions relating to professional fees and third party payments became effective a year later on 1 July 2015.

Since APES 230 was issued nearly four years ago there have been significant developments in the financial services landscape in Australia, primarily related to enhancing consumer outcomes.

These industry developments and reforms include:

- *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* which mandates the creation of a body to set the educational requirements and professional standards for financial advisers including a proposed Code of Ethics.
- *Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017* which introduces caps on upfront commissions and specifies further prohibitions in respect of conflicted remuneration for life insurance.
- A broader focus within the industry on fee-for-service arrangements as a way of enhancing the independence and quality of financial planning advice and new organisations operating only on that basis (e.g. CPA Australia has established CPA Australia Advice which operates only on a fee-for-service basis, ADF Financial Services Consumer Centre where defence personnel receive financial advice on a fee-for-service basis, and the Independent Financial Advisers Association of Australia whose membership only consist of advisers who operate on a fee-for-service basis).

APESB's Post-Implementation Review of APES 230

APESB is now performing a post-implementation review of APES 230 to ensure that it remains relevant in the midst of the many changes in the financial services industry.

Throughout 2016 APESB undertook a range of activities to help inform this review including:

- engaging with and presentations from a number of key stakeholders; and
- conducting an environmental scan focusing on the potential implications of recent developments, particularly in respect of remuneration provisions.

¹ *Members refer to members of CPA Australia, Chartered Accountants Australia and New Zealand and the Institute of Public Accountants.*

Consultation Paper Questions

To assist in the post-implementation review of APES 230, APESB is seeking comments from stakeholders on their experience implementing APES 230 and any comments relating to the changed environment.

In order to help guide, but not limit, stakeholder comments APESB has developed the following questions for stakeholders' input:

1. Since APES 230 became effective in July 2014:
 - a) What provisions of APES 230 were easy to implement?
 - b) What systems, processes and policies have Members amended or developed to meet the requirements of the Standard?
2. APES 230 requires Members to act in their clients' best interests and apply this requirement to all Financial Planning Advice. Have Members experienced any issues (positive and/or negative) implementing this requirement?
3. For holders of an Australian Financial Services Licence (AFSL):
 - a) How do AFSL holders apply the APES 230 requirements in respect of terms of engagement?
 - b) What challenges, if any, have AFSL holders encountered in respect of the application of APES 230 requirements relating to terms of engagement?
4. APES 230 requires Members in public practice to obtain their clients' Informed Consent in respect of asset-based fees and third party payments.
 - a) If Members are using these remuneration methods, what are the new systems, processes and policies that Members have implemented in their practice relating to obtaining clients' Informed Consent?
 - b) What have been the positive benefits/outcomes of implementing APES 230 in your practice?
 - c) What are the challenges, if any, that Members have encountered in the application of these requirements?
5. The APES 230 remuneration provisions allow fee-for-service basis, asset based fees and third party payments.
 - a) Have these provisions worked well for Members? What remuneration options are used more often by Members and why?
 - b) If APES 230 was transitioned to limit remuneration to fee-for-service basis, would this work? Would such a change create any challenges?
 - c) What transition requirements would be needed?

Please note, the provision of any practical examples would be helpful.
6. Given the recent legislative developments that impact on the financial services industry, what other issues do Members believe APESB should consider in its post-implementation review of APES 230?

7. Are there any further reforms, issues or ideas that Members believe the APESB should consider in order to protect consumers who receive financial advice?