

Analysis of Issues of Specific Comments Tables 1, 2 and 5 of APES 230 ED

Purpose

To provide an update to the Board on the progress of the project and to seek guidance on the matters noted in specific comments Tables 1,2, and 5.

Background

A total of 66 submissions were received from respondents on APES 230 ED. The respondents' comments from the 66 submissions are contained in a general comments table and nine specific comments tables.

Table #	Content of Specific Comments Tables	Board Discussion Timeline for 2011
Table 1	Operative Date	January
Table 2	Conformity	January
Table 3	Scope and Application	March – Nov
Table 4	Definitions	March – Nov
Table 5	Professional Competence and Due Care	January
Table 6	Fiduciary responsibilities for Members	March – Nov
Table 7	Professional Independence Terms of Financial Advisory Services The basis of preparing and reporting Financial Advice	March – Nov
Table 8	Fee for Service	March – Nov
Table 9	Soft Dollar Benefits	March – Nov

Consideration of Key Issues

The key issues raised by respondents in the Specific Comments Tables to be considered at this Board Meeting are as follows:

1. Operative Date;
2. Conformity Paragraph; and
5. Professional Competence and Due Care.

1. Operative Date

Respondent's argument for:

- Professionals make the hard decisions in business. By adopting the proposed standard, accountants will become the premier financial advising group in the industry.

Respondent's argument against:

- Nearly all of the respondents raised concerns regarding the operative date of APES 230 ED of 1 July 2011. They claim the date is unrealistic due to the complexity involved in adopting APES 230 due to the following reasons:
 - The proposed by APES 230 will cause fundamental changes to the Members' existing business models;
 - There are existing Client arrangements in place that cannot be amended as the Clients have their funds invested in legacy products; and
 - If the operative date remains, an unreasonable burden of cost and time will be imposed on Members to re-engineer their practices.
- Respondents also noted that the commencement date should be aligned with the Government's *FoFA* reform outcomes. They also recommend the inclusion of a transition period and/or extension of time where the professional requirements are higher than proposed legislation. Some respondents also argued that the proposed APES 230 should not create a higher requirement than legislation.

Technical Staff Comments

APESB has issued a Media Release on 6th December 2010 which clearly indicates that the timeline will be extended.

2. Conformity

General Comments:

Respondents question why there is no international equivalent and whether Australian financial planners are singled out unfairly.

Technical Staff Comments

The conformity paragraph is a standard paragraph that is used in all APESB Standards in accordance with APESB drafting conventions. As the IESBA has only issued the Code and APESB has a range of standards, this same paragraph appears in most other APESB Standards.

5. Professional competence and due care

Respondents comment:

- Increase the level of education and entry requirements for financial planners which will effectively lift the quality of financial planners; and
- Set boundaries in the Standard so financial planners can only give advice in their area of expertise

Technical Staff Comments

Respondents note that there is an issue with the education standards in the financial planning industry. However, this is a lesser of an issue to Members of the Professional Accounting bodies who have completed a postgraduate qualification in accounting.

The drafting suggestions on specific paragraphs will be considered when the project moves to the final drafting stage in the second half of 2011.

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