

AGENDA PAPER

Item Number: 12

Date of Meeting: 20 November 2019

Subject: Proposed CP 01/19 Consultation Paper: Review of APES 230
Financial Planning Services

Action required **For discussion** **For noting** **For information**

Purpose

To obtain the Board's approval to release the proposed CP 01/19 Consultation Paper: Review of APES 230 *Financial Planning Services* (Consultation Paper).

Background

APESB issued APES 230 *Financial Planning Services* (APES 230) in April 2013, with an effective date of 1 July 2014 (apart from the sections relating to remuneration which became effective on 1 July 2015).

Since APES 230 was issued, there have been significant changes in the political, legislative, and regulatory environment for financial planning services. To consider these changes APESB:

- performed a desktop review in 2017 into developments in the financial services industry;
- issued Consultation Paper 01/17 (CP 01/17) in April 2017 to obtain stakeholders views in respect of their implementation experience and whether APES 230 should transition to a fee for service approach;
- analysed the 27 submissions received in relation to CP 01/17 and determined there were still diverging views in practice;
- undertook further targeted stakeholder engagement in 2017 and 2018;
- provided two submissions to the Financial Adviser Standards and Ethics Authority Ltd (FASEA) in 2018 in response to their consultations on the *Financial Planners and Advisors Code of Ethics* (FASEA Code);
- analysed the recommendations and outcomes from the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry in Australia* (the Financial Services Royal Commission) (summarised at Agenda Item 7 of the Feb 2019 Board Meeting (BM92));

- Compared the provisions of APES 230 and APES 110 *Code of Ethics for Professional Accountants* (APES 110) to the FASEA Code (included in Agenda item 13 of the Aug 2019 Board meeting (BM95)); and
- Held three APES 230 Taskforce meetings to date in 2019.

Concurrent to the review of APES 230, the Board approved a [project plan](#) in March 2018 to revise all APESB pronouncements to incorporate changes required due to the release of the restructured APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), which was issued in November 2018 and becomes effective on 1 January 2020.

At the June 2019 Board meeting, the Board considered an exposure draft of APES 230 ED, which was approved as [Exposure Draft 04/19 Revision of APES 230 Financial Planning Services](#) at the October 2019 Board meeting. Refer Agenda Paper 11 for an analysis of submissions on ED 04/19 and the proposed standard.

Matters for Consideration

Based on discussions at the Taskforce meeting held in September 2019, Technical Staff drafted a proposed Consultation Paper. The purpose of the Consultation Paper is to inform further substantive revisions to APES 230. The consultation paper will also take into consideration outstanding matters on the APESB's Issues Register and the analysis and outcomes from the 2017 consultation paper.

A subsequent Taskforce meeting was convened on 28 October 2019 to consider the initial draft of the proposed Consultation Paper. Technical Staff also presented Taskforce members with an analysis of the Government's [Financial Services Royal Commission Implementation Road Map](#) and APES 230 (refer to Agenda Item 12 (c)).

Taskforce members were supportive of the proposed Consultation Paper and provided suggested amendments and enhancements to the Consultation Paper. Draft minutes of the Taskforce meeting convened on 28 October 2019 are attached at Agenda Item 12 (b).

An updated Consultation Paper was sent to Taskforce members on 8 November 2019 and additional feedback was received, which has been incorporated into the proposed Consultation Paper attached at Agenda Item 12 (a).

The proposed Consultation Paper seeks stakeholder feedback for a period up to 1 March 2020 on various matters including:

- Scope of APES 230;
- Application of "*Best Interests of the Client*";
- Fee for service;
- Informed consent;
- An unsolicited offer of sale;
- Non-monetary benefits; and
- Any other matters.

Way Forward

Technical Staff propose the following actions in respect of the proposed Consultation Paper:

- subject to the Board's review comments and approval, release the proposed Consultation Paper;
- Technical Staff to analyse stakeholder comments during March 2020;
- convene a Taskforce meeting by the end of March 2020 and potentially subsequent Taskforce meetings in April and/or May 2020; and
- present the results of the consultation for consideration at the June 2020 Board meeting (potentially including an APES 230 Exposure Draft for approval).

Recommendation

That the Board approve the release of the proposed CP 01/19 Consultation Paper: Review of APES 230 *Financial Planning Services*.

Materials Presented

- Agenda Item 12 (a) Proposed CP 01/19 Consultation Paper: Review of APES 230 *Financial Planning Services*
- Agenda Item 12 (b) Draft minutes of APES 230 Taskforce Meeting 28 October 2019; and
- Agenda Item 12 (c) Analysis of the Governments *Financial Services Royal Commission Implementation Road Map* and APES 230.

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Date: 14 November 2019