

ASISH

ASSOCIATION FOR SAVINGS & INVESTMENT SA

Market Conduct:

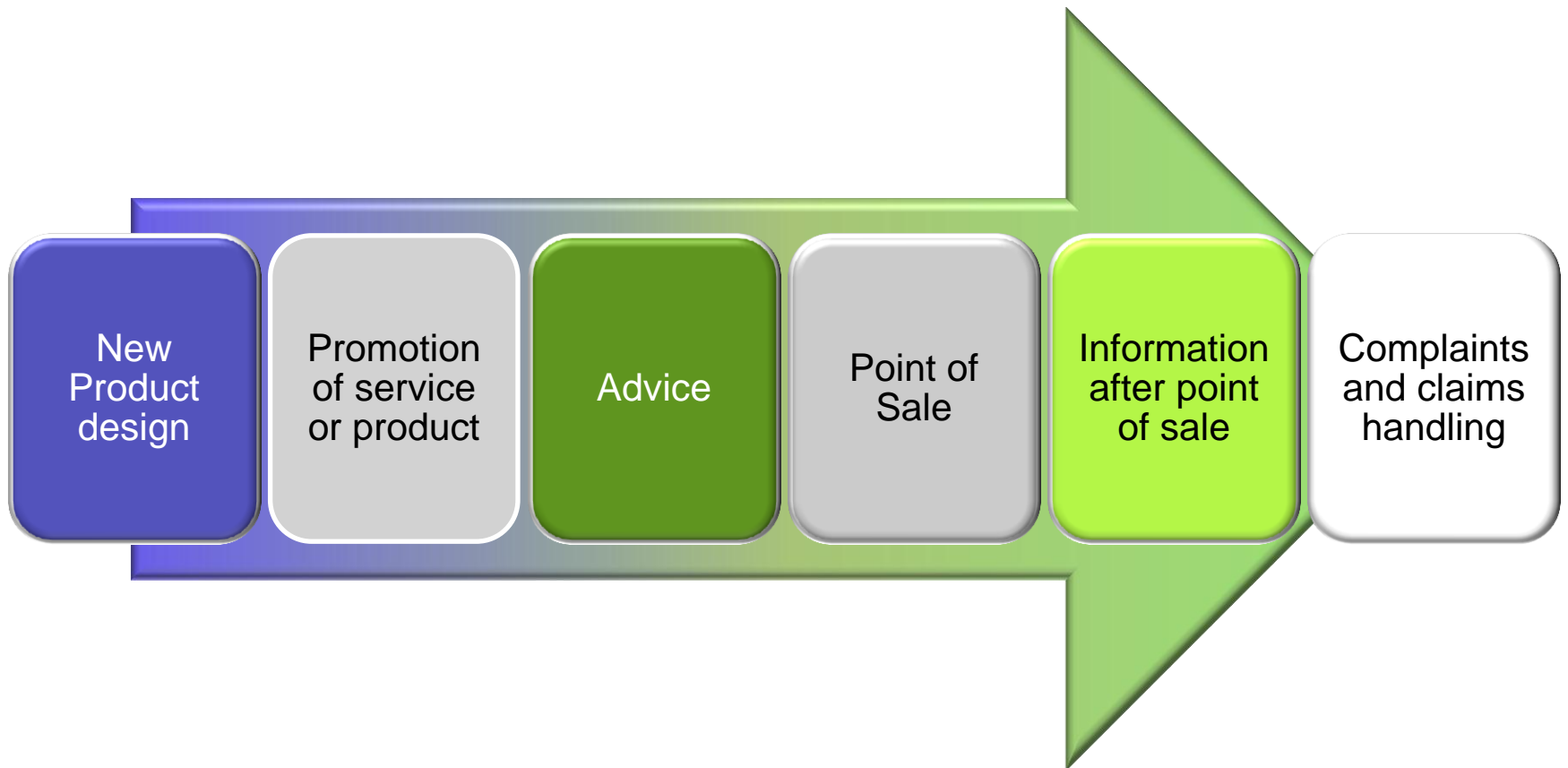
- *TCF*
- *Disclosure*
- *Global trends*

- ❑ *FSB*

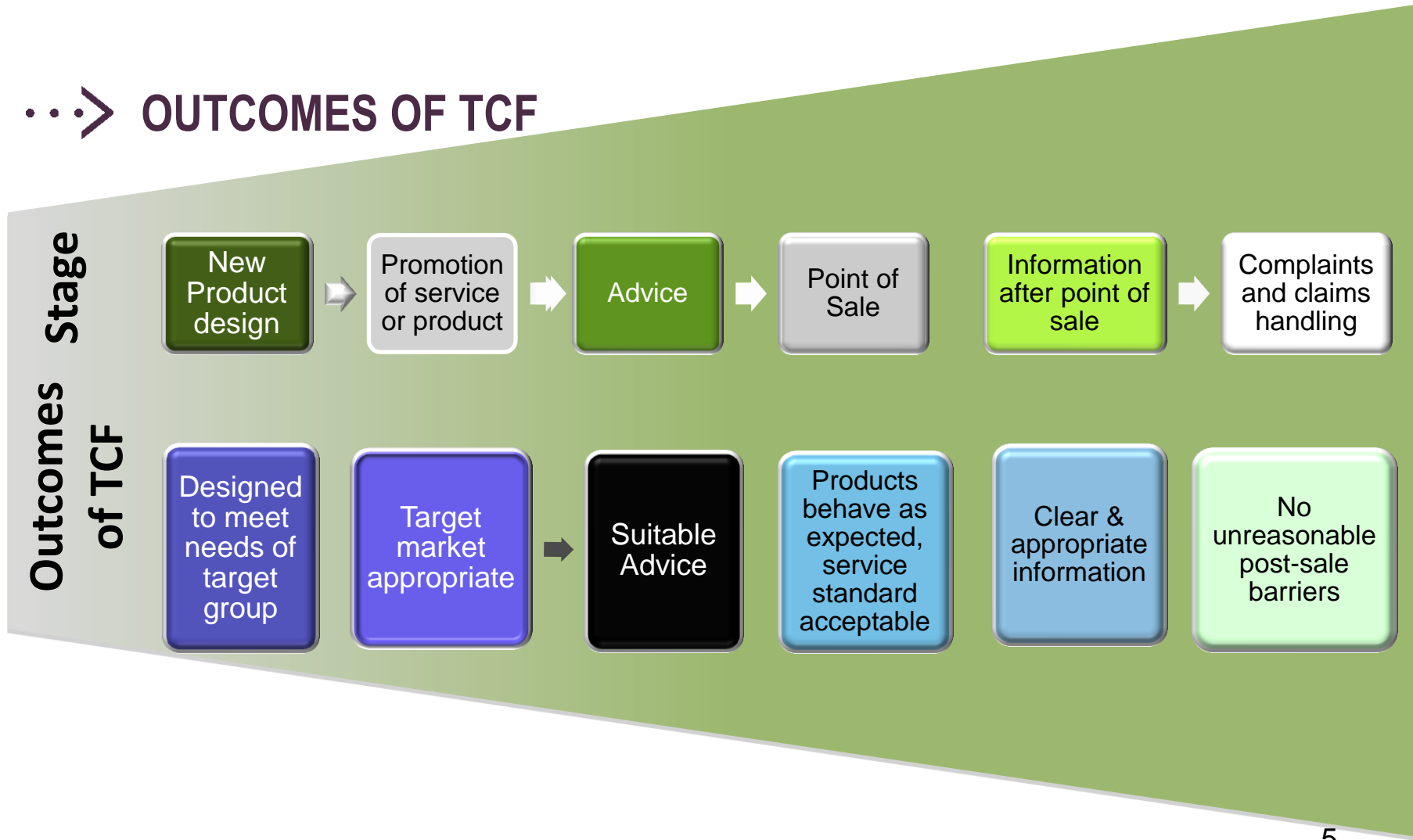
- ❑ *ASISA Marketing & Distribution BC*
 - ❑ *TCF WG*
 - ❑ *Universal Disclosure SC*
 - ❑ *International Trends in FS WG*
 - ❑ *Distribution Affairs SC*

- ❑ Based on UK FSA Model
- ❑ Why did it come about?
- ❑ TCF will become the framework for all FSBs MC work
- ❑ Outcomes - focused approach to Market Conduct Regulation
- ❑ TCF needs to be demonstrated at all stages of the product life cycle
- ❑ Mainly principle based approach backed up by some rules

...> PRODUCT LIFE CYCLE



OUTCOMES OF TCF



- ❑ Changing culture not “tick box” compliance
- ❑ Six key drivers:
 - Leadership
 - Strategy
 - Decision-making
 - Controls
 - Performance Management
 - Rewards
- ❑ Management Information Systems (MIS)

- ❑ FSB consulted extensively with FSA
- ❑ FSB discussion paper published for comment April 2010
- ❑ A senior executive was appointed to drive TCF across regulatory spectrum
- ❑ FSB have produced a TCF “road map”
- ❑ The FSB have set up a TCF Steering Committee
- ❑ The FSB are carrying out pilot TCF self assessment with a few organisations across the industry, auditing current TCF culture
- ❑ This will result in a self-assessment tool for firms

- ❑ The FSB will then develop a TCF market-conduct framework
- ❑ Parallel process will be a regulatory gap analysis
- ❑ The FSB TCF initiative anticipated to be a three-year process
- ❑ FSB plan to implement more extensive, intrusive supervision
- ❑ Expect more inspections and more sanctions

- TCF WG Mandate
- Lessons from UK
- TCF draft best practices guideline

- ❑ Disclosure vs Transparency
- ❑ Not a “silver” bullet
- ❑ Big part of TCF
- ❑ Work of the UDSC
 - Draft Universal Disclosure Standard
 - Key Features Document (KFD)

- ❑ Forced changes to remuneration models to better align the interest of the adviser with the client
- ❑ Status of the intermediary so the public know who they are dealing with and what their expectations should be
- ❑ Better disclosure and more transparency
- ❑ Product regulation and simplification

Retail Distribution Review (RDR)

- Ban all commissions on retail investments & pension plans (end 2012)
- Adviser charging
- Commission on pure risk products to remain as is
- Volume driven incentives
- Regulation fees on assets under management

- ❑ “Opt in” system for ongoing advice fees
- ❑ Regulation of platforms
- ❑ Review of professional standards
- ❑ Review of statutory compensation schemes
- ❑ More powers to the Regulator

- “Best interest” duty for advisers
- Scalable advice
- Tax deductible
- No commission on life insurance sold as part of retirement fund

- Move to fee based financial planning?
- Move back to tied agents
- Increase cost of running FP business
- Access to advice
- Barriers to entry for new advisers

- ❑ Advice becoming more expensive
- ❑ Advice and what it entails needs to be explained otherwise customers resist paying for it
- ❑ How many clients can you serve to justify ongoing advice fees?
- ❑ The “law of agency” also governed by source of your income

- ❑ Distribution Models and Replacement Reports
- ❑ Engagement with FSB
- ❑ Further work on:
 - Value of advice
 - Sign on bonuses
 - Challenging some assumptions
 - Better stats around churning

- ❑ Firmly in the advice era. No turning back
- ❑ Million dollar question is still how to get clients to pay for advice?
- ❑ Fees for advice and commission for transacting/Implementing financial solutions
- ❑ Should clients not be given a choice?

- Commission retained on pure risk business?
- Move to “as and when” commission on all RP life wrapper investment products?
- “Opt in” system for on going trail fees?
- As and when commission for all replaced policies within say 5 years?
- Sign on bonuses to buy distribution capacity linked to meeting sales targets dealt with as a specific issue under Conflicts of Interests in the GC under FAIS Act?

- Better informed consumers?
- The rise of direct selling models and disintermediation will continue?
- More regulation of products?
- More competition from non-traditional players
- Less saving?