

FSB gives code more muscle to fight conflicts of interest

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THE FINANCIAL Services Board (FSB) is introducing amendments to the general code of conduct for authorised financial services providers, it was announced yesterday.

This is in a bid to address concerns of conflicts of interest between financial services providers, their representatives and clients.

This is also part of the FSB's efforts to ensure that insurance consumers are protected. It comes after it had emerged that there was confusion over how the original code should be implemented.

In terms of the new amendments, a conflict of interest is defined as one in which a reasonable person would think that the professional's judgment was compromised.

A conflict of interest would imply the potential for bias, even if this bias was not likely

Seamus Casserly, the president of the Financial Intermediaries Association of Southern Africa, said that the code required that financial services providers and representatives disclosed to clients any actual or potential conflicts of interest.

The new amendments stipulate that every provider, other than a representative, must also adopt and implement a conflict of interest management policy. This should comply with the new provisions set out in the code.

The financial services providers would also need to maintain a register in which all actual or even potential conflicts were recorded.

"The original legislation required levels of transparency and disclosure. However, there was not a clear strategy to determine what needed to be disclosed," Casserly said, adding that the disclosure was

not made consistently.

This, according to Casserly, created a perception among consumers that non-cash incentives and other benefits were not being properly disclosed by financial services providers and representatives.

This was inadequate and failed to properly address consumer concerns.

Product providers and intermediaries need to familiarise themselves with the new legislation in order ensure compliance. It is also equally important for consumers to understand what they should be expecting from providers under the revised legislation.

Casserly said that the actual existence of a conflict of interest might in itself not be a wrongdoing. "It is, however, imperative that those parties involved properly disclose the nature and monetary value, if any, of such a conflict to their client," he said.

