

Professionalising the financial services industry is a global effort

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The move towards professionalising the role of financial advisors in South Africa through both the FAIS Act and the introduction of regulatory examinations, is indicative of a worldwide trend that aims better to govern the provision of financial advice, and which recognises the need to establish the industry as a profession.

While the introduction of reforms may vary between countries, there is a common theme throughout various regions. Financial advisors provide a valuable service and this is recognised around the world. However, it is also acknowledged that, to offer this service, it is necessary to show that one has a thorough knowledge of the industry in which one operates, hence a number of reforms that are currently taking place both here and internationally.

Changes being mooted in South Africa mirror those happening elsewhere; for example, the regulatory examinations being introduced by the FSB are indicative of the training that counterparts in the UK and US are already required to undertake, and which is increasingly being seen in other regions also.

In Australia, the Securities and Investments Commission recently published a set of proposals to lift the standard of advice provided by advisors by establishing a new Financial Services Competency Certification exam. According to the proposals, financial advisors would also have to take a "knowledge update review" every three years.

The financial advice industry in South Africa is at a similar crossroads. FAIS was introduced in 2004 and, for the majority of advisors who comply, it has proven to be an important piece of legislation that properly governs the industry. The new regulatory examinations will ensure that all advisors are not only heeding this Act, but are also operating with the same level of knowledge and competence.

In the UK, there has been a similar tide of change which culminated in the decision by the Financial Services Authority (FSA) to ban financial advisors from receiving commission for selling investment policies from 2012. The move, which only applies to investments such as pensions and unit trusts, not mortgages and insurance policies, means advisors will have to charge clients directly for their services.

The South African market is in many ways unique given our demographics and, while we are not seeking to follow the path of other countries by banning commission on products, it is important that we align our industry with what is happening around the world. As much as we might like to think we



operate separately, the reality is that financial services is a global industry, as is the advice that goes with it.

The provision of financial advice to consumers is a hugely important and often underestimated role. It is through the effort and knowledge of those operating in our industry that makes the difference between whether or not someone is able to retire comfortably, is able to afford medical treatment or has the correct insurance in place for both the short and long term.

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