



PROFESSIONALISM OF ADVISERS IS A GLOBAL TREND

There has been much debate over the validity and effectiveness of regulatory developments in South Africa regarding the financial services industry of late, particularly with regard to the introduction of RE Level 1 and 2 exams.

This shift towards a greater sense of professionalism among financial advisers is certainly not a local trend. Seamus Casserly, president at the Financial Intermediaries Association of Southern Africa (FIA), said that the FAIS Act and the introduction of regulatory examinations are indicative of a worldwide trend that aims to better govern the provision of financial advice, as well as recognising the need to establish the industry as a profession.

He said that while the introduction of reforms may vary between countries, there is a common theme throughout various regions. "Financial advisers provide a valuable service and this is recognised around the world. However, it is also recognised 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 as well."

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

Casserly said the financial advice industry in South Africa is at a similar crossroads. "FAIS was introduced in 2004 and for the majority of advisers 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 advisers 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 advisers 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 advisers 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

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"The provision of financial advice to consumers is a hugely important and often underestimated role. It is through the effort and knowledge of those professionals 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," said Casserly.