Compliance

Four pillars of:

- Fit and proper standards/requirements
- Consumer-based financial planning process
- Rendering of appropriate advice
- Offering of appropriate financial solutions

What does the four entail respectively?

1. **Fit and proper standards**

    - Personal attributes of honesty and integrity.
    - Skill, requisite level of both expertise in the area i.r.o which advice is given (competency and operational ability).
    - Financial soundness.

    Where a FSP is a company or any entity the F&P requirements apply to all **key individuals**.
    Key individual means, according to the Act, any natural person who manages or supervises the financial service activities of a company.

2. **Consumer education-based financial process**

    - Lead a client into making an informed decision.
    - Ensure that client understands the advice.
    - Take pro-active and reasonable steps to make sure that the above two objectives are met.

    In the end of this process the client must clearly understand the following:

    - His/her financial objective;
    - The specific benchmark or specific terms and conditions that apply to the selected objective;
    - The material features of the solution or product;
    - The adviser's service model; and
    - The costs involved.

    In this regard both the Act and the Code require that certain information be furnished to the client about the service to be rendered. **See code of conduct-Part VI.**

3. **The rendering of appropriate advice**

It should be made clear from the onset that appropriate advice does not mean best advice. Within the context within which is applied, appropriate advice will have to be preceded by the following activities:

- Taking reasonable steps to seek from the client appropriate and available information regarding the client's financial situation, financial product experience and objectives;
- For all purposes and intents of the sought advice, to conduct an in-depth analysis based on the information obtained; and
- Identification of the financial product that will accord with the client's risk profile and financial needs.

And where the financial product is to replace an existing financial product wholly or partially held by the client, fully disclose to the client the actual and potential financial implications, costs and consequences of such a replacement product. Furthermore the code on replacement places an obligation on the provider not to advise a policyholder to effect a replacement with comprehensive disclosure and analysis of:

- The potential consequences of the replacement, including but not limited to any duplicated costs and any lost benefits
- The extent to which the replacement is appropriate to the policyholder's needs
- The differences between the replacement and replaced policies, and
- Appropriate alternatives to effecting a replacement, including the possibility of varying the existing policy in order to provide for the changed circumstances. **See code on replacement for full details**.

4. The offering of appropriate financial solutions

- Generally follows the rendering of appropriate advice.
- Financial products are by their very nature diverse and somewhat complex.
- Distinguishing between various financial products is ever becoming a difficult task for advisers.
- However, the diversity and complexity of financial products does not release advisers from their duty to offer **appropriate financial solutions** to clients. Proper due diligence must always be done in this regard.
- There is no doubt more and more product suppliers will take decisive steps to refine their products for both business and compliance considerations.