

Putting the client first in financial services

By [Wesley Davids](#)

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The Financial Sector Conduct Authority (FSCA) issued one of the much-anticipated discussion documents on the implementation of the Retail Distribution Review (RDR). Through enacting relevant and progressive legislation, the FSCA remains committed to ensuring that customers achieve fair outcomes when dealing with financial services providers (FSPs) under the framework of Treating Customers Fairly (TCF).



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RDR encompasses a series of regulatory reforms aimed at ensuring that financial services models:

- support the delivery of suitable products and provide fair access to suitable advice for customers;
- enable customers to understand and compare the nature, value and cost of advice and other services that FSPs provide;
- enhance standards of professionalism in the industry to build consumer confidence and trust;
- enable customers to benefit from fair competition at a price more closely aligned with the nature and quality of the service being rendered;
- support sustainable business models for financial advice that enable adviser businesses to viably deliver in the long term.

The key objective of RDR is to remove or mitigate conflicts of interest that may arise in relationships between financial advisers and the product providers.

Through the discussion document, the industry is deliberating over one of the most critical proposals of RDR: how to define and price a variety of investment product and the investment services offered by an array of providers / advisers.

The objective of the FSCA's discussion document is to seek out input from those in the investment industry to ensure that future legislation and licensing take cognisance of the actual work performed and relationships between role players, so that the investment value chain is clearly understood.

RDR has distinguished between the following:

- Product supplier agents (PSAs): These are advisers that operate as part of the licence of the product provider and may only provide advice on the products of that product provider (and other product suppliers in its group).
- Registered financial advisors (RFAs): These are advisers that are separately licensed in their own right to provide advice on whichever products their licence permits, and are not limited to offering the products of any particular product provider.

Furthermore, an entity will have to make a choice between the aforementioned adviser categories, as operating as both a PSA and an RFA will not be allowed.

This is a good development, as it will be clear whether advice provided to customers is independent or not.

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