



RETAIL DISTRIBUTION REVIEW AND YOU

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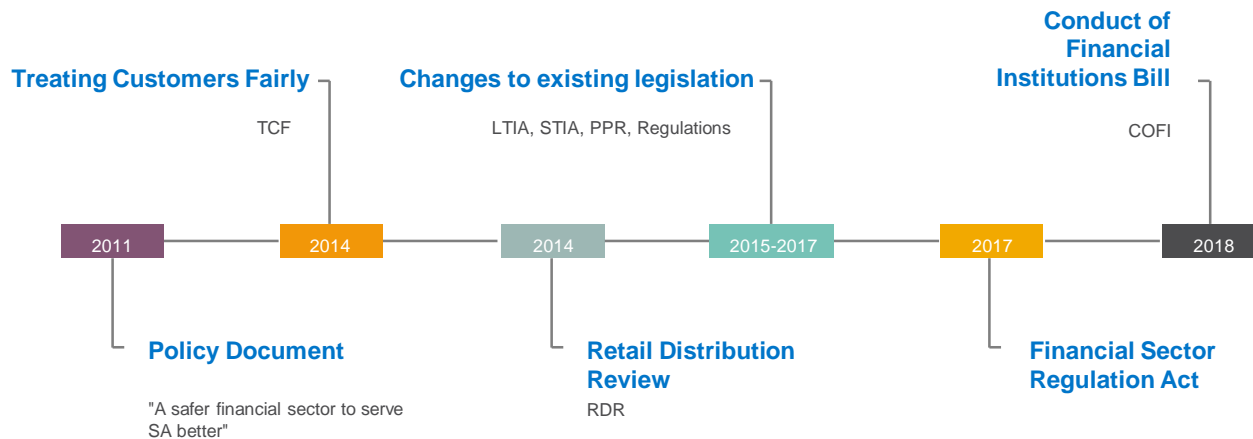
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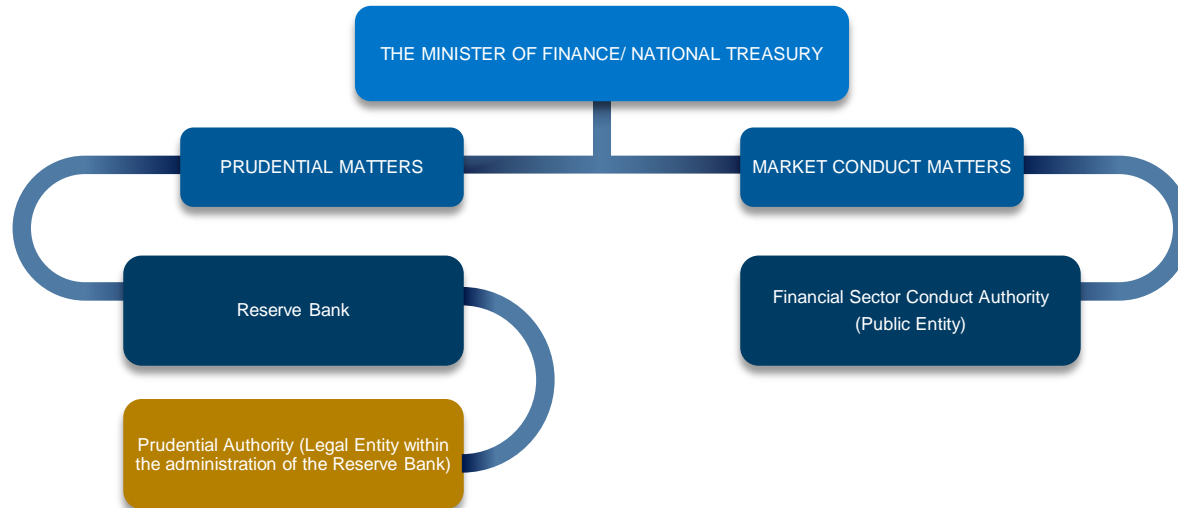
RETAIL DISTRIBUTION & YOU

- ④ Regulatory Development
 - ④ The Regulatory System
 - ④ The Regulatory Environment
 - ④ Revised Legal Landscape
 - ④ Overview of TCF
 - ④ RDR
-

REGULATORY DEVELOPMENT



THE REGULATORY SYSTEM- TWIN PEAKS



REGULATORY ENVIRONMENT



Rules Based	Outcomes Based
Legislation prescribing what must be done and how to do it.	Set of principles that must be applied to achieve desired outcomes.
Onus on regulator to ensure rules are followed.	Onus on FSP to ensure principles are applied and desired outcomes are reached.
Checklist approach- did the FSP meet minimum requirements?	Outcomes approach- Did the FSP achieve the desired outcomes?
Focus on monitoring what must be done and how it must be done (task and method prescribed)	Focus on what must be done to achieve fair outcomes for customers (task and result prescribed, but you decide the method).

REVISED LEGAL (CONDUCT) LANDSCAPE



Current	Future
Long-term Insurance Act	Financial Sector Regulation Act
Short-term Insurance Act	Conduct of Financial Institutions Act
Pension Funds Act	
Collective Investment Schemes Control Act	
Friendly Societies Act	
Financial Advisory and Intermediary Services Act	
Financial Markets Act	
Credit Ratings Services Act	
Financial Services Ombuds Schemes Act	

OVERVIEW OF TCF



- ④ **Outcome 1:** Customers are confident that they are dealing with firms where the fair treatment of customers is central to the **firm culture**.
- ④ **Outcome 2:** **Products and services** marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- ④ **Outcome 3:** Customers are given **clear information** and are kept appropriately informed before, during and after the time of contracting.
- ④ **Outcome 4:** Where customers receive **advice**, the advice is suitable and takes account of their circumstances.
- ④ **Outcome 5:** Customers are provided with products that perform as firms have led them to **expect**, and the associated **service** is both of an acceptable standard and what they have been led to expect.
- ④ **Outcome 6:** Customers do not face **unreasonable post-sale barriers** to change product, switch provider, submit a claim or make a complaint.

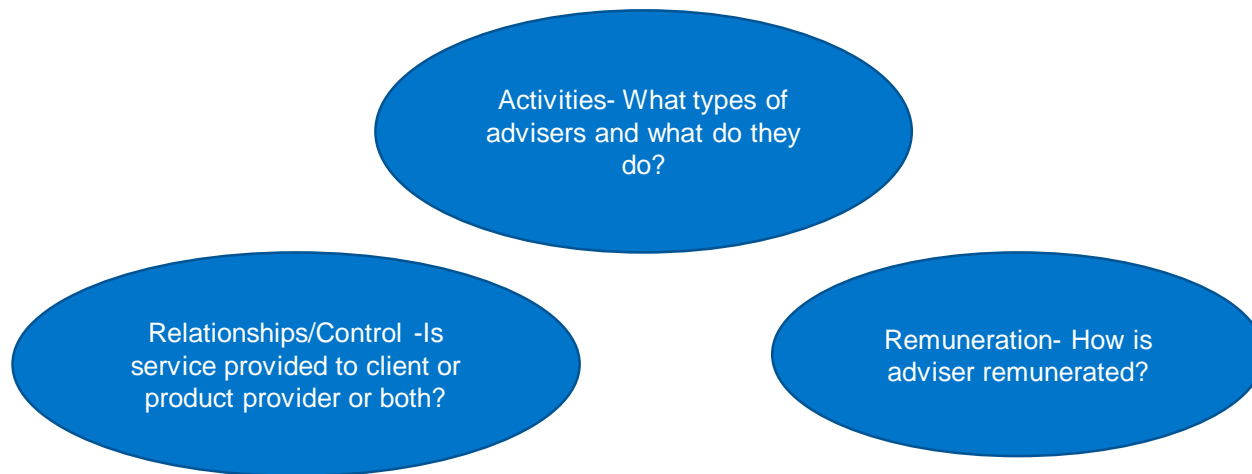


RDR

WHAT IS RDR?



- ④ 93 pages, 6 chapters, 55 proposals plus 5 update documents
- ④ The Issues



TYPES OF ADVISERS



Currently	After RDR
FAIS 1. Adviser/Intermediary = FSP or Rep of FSP	1. Product Provider <ul style="list-style-type: none">Product Supplier Agents
2. FSP <ul style="list-style-type: none">Product ProviderBrokerage	2. Non-Product Provider <ul style="list-style-type: none">Registered Financial AdvisersIndependentFinancial Planner
3. Independent	

TYPES OF ADVISERS



Product Supplier Agents (PSA's)	Registered Financial Advisors (RFA's)
Not licensed in own right.	Natural person (sole proprietor) or legal entity (RFA firm) licensed in their own right to provide advice.
Product supplier carries risk/responsibility for advice.	RFA firm appoints advisers to give advice on its behalf and carries the responsibility for advice provided by advisers
Only advice on supplier's products ("home product supplier") or group of businesses/companies products.	Free to contract with any product providers and to provide advice on their products
Limited gap filling.	Can provide any products of contracted product providers
Same person cannot act as both PSA and RFA.	Cannot be a product supplier.

PSA OR RFA



- ④ The same entity may not operate as a PSA and RFA

DISALLOWING ADVISERS FROM OPERATING ON MORE THAN ONE LICENCE



- ④ Advisers will only be allowed to be a representative on the licence of one FSP
- ④ Exceptions
 - ④ Adviser development
 - ④ Enable adviser to be on more than one FSP licence only for supervision period subject to
 - ④ Rendering service under supervision of FSP 2
 - ④ Both FSP's must ensure clients receive clear information in regard to which FSP takes responsibility for the advice provided
 - ④ PSA/RFA either/or rule
 - ④ Group structures
 - ④ Advisers can be on more than one FSP licence of group companies subject to PSA/RFA either/or rule
 - ④ Key Individuals (Key Persons)
 - ④ Not allowed to operate on more than one licensed FSP.
 - ④ Exception for group of companies, but PSA/RFA either/or rule applies

NON-ADVICE DISTRIBUTION MODELS



- ④ PSA providing intermediary services in addition to advice-
 - ④ Only in relation to home financial group's products

- ④ Retirement Benefits Counselling-
 - ④ Information only
 - ④ Not advice or intermediary service

- ④ Advice provided by board of fund or board members to fund members on membership benefits not advice

WHAT HAPPENS IF ADVISER MOVES TO ANOTHER FSP (PSA/RFA)?



- ④ How does the change affect the ability to earn/retain remuneration?
 - ④ Remuneration must be reasonable and commensurate with the services rendered
 - ④ Ongoing remuneration should only be payable if ongoing services are rendered and the remuneration should not be paid twice for the same service

WHAT HAPPENS IF ADVISER MOVES TO ANOTHER FSP (PSA/RFA)?



- Scenario 1- PSA to PSA
- Scenario 2- PSA to RFA
- Scenario 3- RFA to PSA
- Scenario 4- RFA to RFA

WHAT HAPPENS IF ADVISER MOVES TO ANOTHER FSP (PSA/RFA)?



- ⤵ Adviser can no longer provide advice in terms of “old” customer relationship
- ⤵ Adviser can access factual information on existing products (with client consent) to take into account when providing advice on overall product portfolio of customer
- ⤵ Adviser can only provide advice in new capacity in relation to “old products” if fit and proper and contractual requirements are in place
- ⤵ FSCA will develop regulatory instruments to deal with the implications of contractual changes
- ⤵ Ongoing product supplier commission to adviser/FSP must stop when contract is terminated (mandatory contract stipulation)
- ⤵ Ongoing advice fees must stop. Where the product supplier had been facilitating deduction of advice fees, it must stop and the customer must be informed

WHAT HAPPENS IF ADVISER MOVES TO ANOTHER FSP (PSA/RFA)?



④ Customer consent:

- ④ to establish/re-establish business relationship with old/new FSP
- ④ to continue/change payment of commission/advice fee
- ④ “Bulk consent” only where the contractual change is as a result of regulatory requirements

RETIREMENT FUND ADVICE/ BENEFIT CONSULTING



④ Advice about retirement fund benefits

- ④ Where a financial institution in the group of companies concerned is the sponsor of that retirement fund (umbrella/retirement annuity/preservation/beneficiary?), the fund will be regarded as a home group product
- ④ PSA will be able to provide advice regarding membership of or the establishment of retirement funds (including participation in umbrella funds) where the fund is sponsored by a member/institution of the home group of companies

④ Advice to retirement funds

- ④ Retirement fund is the customer receiving advice in relation to products the fund should buy or invest in
- ④ PSA only allowed to give advice to fund on products and services offered by the financial institutions in its own group of companies

WAY FORWARD



- ④ Comments submitted to FSCA by 31 March 2020
- ④ Review of comments
- ④ Report back to industry
- ④ Further comment
- ④ Issuing of regulatory instruments

