



Press Release

IFPHK lauds SFC's proposed reforms to improve investor protection but highlights key industry concerns

The Institute suggests that ensuring professional standards of frontline sales staff will need to be adequately addressed to prevent misselling.

(25th January 2010, Hong Kong) The Institute of Financial Planners of Hong Kong (IFPHK) has submitted a formal reply to the Securities and Futures Commission (SFC) consultation paper on Proposals to Enhance Protection for the Investing Public. Although IFPHK agreed that the proposals were a step in the right direction, it noted the low standards in professional knowledge of frontline staff were not adequately addressed.

The SFC consultation paper aims to enhance protection for the investing public. IFPHK welcomed the critical review of the regulatory framework undertaken by the SFC in the consultation paper and the proposals that it contained.

"Consumer faith and trust in financial advisers reached an all time low after the Lehman Minibond incident and IFPHK firmly believes that it is important for regulators to critically review the existing regulatory framework as a first step in rebuilding consumer trust" said Ms. Angeline Chin, IFPHK CEO.

IFPHK formal response was based on an extensive industry consultation process with its individual, corporate and international affiliates of the U.S.-based Financial Planning Standards Board (FPSB). The conclusions and key suggestions were collated as a formal written reply to the SFC.

"IFPHK endorses a sound regulatory reform that improves sales processes, makes marketing material more factual and meaningful to consumers and offers appropriate levels of disclosure that could help manage conflicts of interest. Many of the suggested reforms appear to be moving us in this direction, which is good news," said Ms Chin.

Consultation participants, however, expressed concerns regarding the lack of proposals that directly addressed the inadequate knowledge of frontline sales staff—a key reason behind the Lehman Minibonds issue. "Insights from the Lehman Minibonds investigations suggested that many responsible for selling this product had little understanding of the risk/reward profile of the product and did not appear to have the technical financial skills required to establish suitability of the products being offered to their clients," said Ms Chin.

"As there is nothing in the consultation paper which is directed at raising professional standards of front line sales staff, we are concerned that mis-selling of complex products by sales staff may continue despite the proposed rule changes," she added.

In its submission paper, IFPHK invites the regulator to undertake a similar critical review of existing professional standards of front-line sales staff to establish whether or not current entry level and on-going professional education requirements are at a sufficiently high level given the increased complexity of financial products existing in the retail market place.

Ms. Chin also indicated that IFPHK will continue to monitor related regulatory developments around the world. "We are watching closely and with interests recent developments in the United Kingdom and the Financial Services Authority regulatory reforms aimed at raising professional standards of front-line sales staff," she said.



Major points highlighted in IFPHK's formal submission include:

- IFPHK suggests that effectiveness of the proposed reforms will be significantly jeopardized without initiatives to improve professional standards of front-line sales staff.
- IFPHK suggests that a 'level playing field' among all financial advisors, including financial planners, insurance brokers and bank sales staff needs to be established to prevent any regulatory arbitrage that can potentially undermine any measures for enhancing investor protection,
- IFPHK agrees that consumers will benefit from easy-to-understand information in regards to the scope of the advice they are being given and from information on the commercial/financial arrangements between product providers and intermediaries.
- IFPHK agrees a bandwidth percentage mode commission disclosure is workable for the industry and sensible for consumers (as seen in Business Models 1 and 3 in the SFC Consultation paper).

About IFPHK


IFPHK was established in June 2000 as a non-profit organization for the fast-growing financial industry. It aims to be recognized in the region as the premier professional body representing financial planners that uphold the highest standards to benefit the public.

The Institute is the sole licensing body in Hong Kong authorized by Financial Planning Standards Board Limited (FPSB) to grant the much-coveted and internationally-recognized CFP certification to qualified financial planning professionals in Hong Kong and Macau.

It represents more than 10,000 financial planning practitioners in Hong Kong from such diverse professional backgrounds as banking, insurance, independent financial advisory, stockbroking, accounting, and legal services.

Currently there are over 126,000 CFP professionals in 23 countries/regions; the majority of these professionals are in the U.S., Canada, Australia and Japan, with more than 3,800 CFP professionals in Hong Kong.

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