Survey shows advisers taking responsibility for disclosure failures

Financial planners are taking responsibility for consumers’ lack of awareness about the costs of financial planning, a new Securities Institute survey has found. Sixty-nine per cent of advisers believe that confusion about fees is due to a combination of advisers failing to explain and clients failing to ask, while a further 26% place the blame squarely on advisers.

“The Securities Institute survey of 171 financial planning professionals reveals that the industry accepts the wake-up call about past failures and that improving advisers’ practical skill—particularly in the areas of disclosure and communication—is crucial if the new disclosure rules are to be effective,” says the Chief Executive Officer of the Securities Institute, Brian Salter.

According to Salter, it doesn’t matter how much knowledge a financial planner has; if he or she can’t communicate effectively with clients, there is every likelihood the advice will be compromised.

The survey also found that the vexed question of changes to disclosure rules under the Financial Services Reform Act (FSRA) appears to be resolving itself, with 89% of firms already following FSRA disclosure obligations and 95% of respondents claiming they understand their obligations under the FSRA regime.

Moreover, there is a high level of support for them, with 76% believing they provide sufficient protection for consumers, and only 13% saying they are too onerous. Eleven per cent think they are not strict enough.

Heightened media and industry attention has already become a call to action, with 71% of firms more focused on disclosure as a result (43% have increased their focus a lot, and 29% a little). Only 21% said they have not increased their focus on disclosure at all.

However, advisers are split on the impact they believe improved disclosure will have on consumers’ choice of a fund or product. Forty-three per cent say it will have a minimal impact, but 40% think it will have a reasonable impact. Seventeen per cent think it will affect their choice significantly.

“While government can legislate for, and the industry promote, higher standards, consumers cannot abdicate responsibility for checking their advisers’ credentials and reading the fine print. And the new rules mean the fine print is there to be read,” Salter says.

The survey also found there are diverse views on industry body plans to improve their own disclosure guidelines. Forty-two per cent believe it is a necessary step, and 19% believe that while it is not needed, it will be a positive step nonetheless. Thirty-five per cent think it is unnecessary because FSRA will cover the same area, or because the current guidelines are sufficient.

According to Salter, the industry is facing a crisis of confidence and the Securities Institute will be working closely with the industry to restore confidence by raising standards through better education and skills-focused professional development.

“Educating financial planning practitioners is not just about imparting knowledge. It is also about giving practitioners the practical skills they need to apply this knowledge.

The Securities Institute has re-engineered all of its open-entry and postgraduate courses to incorporate practical skills-based learning.

Students now learn how to listen to clients as well as how to understand and respond to their needs and expectations,” Salter says.

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example, the annual storage charges for five different types of hydrocarbons in the port of Mumbai.

An interesting piece in the book is the league table listing of legal advisers in recent years to Asia Pacific project financings, with the growing dominance of English law firms.

This book is well researched, topical and well presented. The extensive array of acronyms—such as ECA, PRI, NEXI, BOO/BOT, KfW, PLR, IPP, NNCF and LLR—and other technical terms are well covered in a useful glossary.

A single modest criticism is that, because of the Asia Pacific focus, there is no mention of the recent Argentinian Government infrastructure financing default, and the implications arising therefrom for future major project financings.

*Reviewed by Neil Cole, FSIA, N H Cole and Associates Pty Ltd.

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