

# Findings of MAS financial advice survey 'disturbing'

By MAGDALEN NG

NEARLY a third of customers looking for financial advice and products were steered to unsuitable investments, according to a mystery shopping survey conducted by the Monetary Authority of Singapore (MAS).

People posing as normal customers assessed the advice being given by banks and insurers. Between October and December last year, 126 shoppers made 500 visits to 11 banks and four insurance companies seeking advice from representatives.

It found that in 30 per cent of the cases, the products recommended did not match the person's financial objectives or their stated investment horizon.

An independent panel of industry practitioners reviewed the suitability of the products based on the shoppers' personal profile, experience during the advice and sales process and the sales material handed out by the institutions.

While most advisers did engage in some form of fact finding - asking questions about the customer's financial situation, risk appetite and what products they already have - most did not go beyond basic information such as names, personal particulars and employment.

About 50 per cent of the mystery shoppers were not quizzed about their risk tolerance or financial objectives and 40 per cent were not asked for their investment experience.



Mr Lee said MAS can only do so much and it is harder to regulate the quality of advice. PHOTO: LIANHE ZAOBAO

Mr Lee Chuan Teck, MAS assistant managing director for capital markets, told the Singapore Management University Market for Financial Advice Symposium yesterday that these two findings were "particularly disturbing".

Mr Lee, who also chairs the panel for the Financial Advisory Industry Review (Fair), said: "If we do not make an effort to understand our clients' needs, how do we expect to recommend the right product to them?"

The survey also discovered that most representatives disclosed basic information about the products recommended but details on risk factors and the amount and frequency of fees and charges, for example, were omitted in a significant number of advisory sessions.

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The MAS imposed a rule in January that gets customers to take a test to prove that they have the relevant financial experience and knowledge before getting the go-ahead to buy certain complex investment products.

But the MAS can only do so much, Mr Lee said, adding: "While we can regulate on what an adviser needs to do and who needs advising, it is harder to regulate the quality of advice given."

MAS said that this survey differs from the last one in 2006 in terms of scope and the types of financial institutions surveyed so the results are not comparable.

It said that it will work with the Life Insurance Association (LIA) and the Association of

## Key findings of mystery shopper survey

■ Advisers carried out some degree of fact finding during the shopper visits, but the information collected was inadequate. Some only asked for the shoppers' personal particulars and employment. Pertinent information such as the shoppers' investment experience, financial aims, risk

profile and financial situation was frequently left out. ■ Most advisers provided basic information on the product, but disclosures on risk factors, amount and frequency of fees and charges, warnings, exclusions and caveats, as well as the free-look period, were left out in a significant number

of advisory sessions. ■ Almost a third of the product recommendations made by the advisers were assessed by the industry panel as unsuitable. The products recommended often did not match the shoppers' financial objective or their stated investment horizon.

Banks in Singapore to carry out regular mystery shopping exercises. Findings will be made public.

LIA president Tan Hak Leh said: "We note the shortcomings, which require the industry's further attention." LIA sees the regular mystery shopping surveys as a "further initiative to enhance the

effectiveness of the life insurance sales advisory process."

The Securities Investors Association of Singapore said it was disheartening to know vital information such as risk factors was not disclosed to retail investors. One customer, Mr Mervin Wang, 39, a marketing head at a

multinational corporation, believes that the customer should not rely completely on the adviser. "You need to be more knowledgeable about what is available so you can ask the adviser the correct questions, and engage him more meaningfully." songyuan@sph.com.sg