What are your rights as an investor?

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As consumers, we have rights. We have the right to choose between competing goods and services. We should also have the opportunity to examine the goods and services offered for sale. If we fall victim to unfair trade practices, faulty and sub-par goods and services, we should have a right to seek redress.

In Singapore, there is legislation to protect consumers. The Consumer Protection (Fair Trading) Act (CPFTA) was enacted to protect consumers against unfair practices and to give them additional rights in respect of goods that do not conform to contract.

This includes the Lemon Law which obliges businesses to repair, replace, reduce the price or provide a refund for a defective goods should the goods not conform to contract or are not of satisfactory quality or performance standards at the time of delivery.

How about investors? Do we have similar rights?

Statement of Investor Rights

The Statement of Investor Rights was developed by CFA Institute, a global association of investment professionals, to advise buyers of financial service products of the conduct they should expect from financial service providers. These rights reflect the fundamental ethical principles that are critical to achieving confidence and trust in any professional relationship.

The list applies to financial products and services such as investment management, research and advice, personal banking, insurance and real estate. Whether you are establishing an investment plan, working with a broker, opening a bank account or buying a home, the Statement of Investor Rights is a tool to help you get the information you need and the service you expect and deserve.

Demanding that financial professionals abide by these rights helps you build trust in the person and/or firm you engage with, and thereby collectively restores trust, respect, and integrity in finance.

We highlight the first four investors' rights as per the CFA Institute's Statement of Investor Rights. When you engage the services of financial professionals and organisations, you can adopt the following approach in evaluating the ethical commitment of these firms and their advisers.

Honest, competent, and ethical conduct

Globally, financial laws and regulations differ, but all investors have the right to honesty from financial professionals. Honesty does not just mean a truthful answer to your questions; it also means transparency and forthrightness on the part of the financial professional.

Ideally, the financial professional should give you all the information that affects the financial decisions you make as well as the information that pertains to the financial decisions made on your behalf. Investors should keep this in mind when speaking to a financial professional from the organisation.

Independent, objective advice and assistance

Financial professionals must base decisions on:

- Thorough discussions with you about your needs and circumstances
- Thorough analysis of your needs and circumstances
- Thorough analysis of the products and services that may be used to meet your needs
- Carefully considered and supported judgments that match products and services with your needs and circumstances.

Investors' needs and circumstances are discussed at the onset of a relationship. The conversation should continue on a regular basis, more so when you go through different stages in life or when there are material changes in circumstances. With a newborn, your ability and willingness to assume risk may change. An unexpected windfall may also change risk appetite; so does a change in career or earnings.

Your financial interests take precedence

As the owner of the money or the assets in a financial transaction, your welfare must be considered before the welfare of the financial professional and his or her organisation.

It is through outstanding work and service to your interests that financial professionals earn your trust and continued business. Your money is paying the bills and salaries of these professionals, and your interests need to come before their personal interests.

How do advisers in Singapore measure up when putting investors interest first?

In 2020, CFA Institute released the fourth edition of its global trust report. The survey covered various issues with 3,525 retail investors – 100 of which were from Singapore – across 15 markets globally to gauge trust level in the investment industry.

When asked if investors "believe their financial adviser put their interest first", retail investors in Singapore who answered "always" and "usually" fell from 69 per cent in 2018 to 49 per cent in 2020.

This compared to the 15-market average, which also fell from 84 per cent in 2018 to 82 per cent in 2020.

What was worrying for Singapore was those who replied "rarely" and "never" to the question. In 2018, it was 6 per cent; two years later, it was at 19 per cent. Meanwhile, the 15-market average remained somewhat constant at 4 per cent in 2018 and 3 per cent in 2020.

Fair treatment with respect to other clients

Fair treatment is not always equal treatment, particularly regarding all of a financial professional's clients. For example, other clients may have different objectives and different risk tolerances, resulting in investment portfolios that are very different from your own.

You should not consider it unfair treatment when another client with a riskier portfolio earns higher returns or when another client's less risky portfolio performs better when financial markets decline.

In this respect, retail investors must up their game on financial literacy. An educated investor is better able to understand, differentiate, and assess the different product offerings including higher risk and complex products to suit unique circumstances and needs.

When investors have several advisers from different financial institutions, which is common in Singapore, there is a natural tendency to compare performance among advisers.

However, many do not realise that some facets of comparison are spurious. An equity fund should not be compared to a high-yield unrated corporate bond, as the risk and return profile is different.

A meaningful comparison would be between two equity funds with similar characteristics. Similarly, a developed country play has different characteristics from a developing market asset, and they should not be put next to each other for return comparisons.

Therefore, improving one's understanding of finance would enable one to ask the right questions for clarification, comparison and further understanding of products on offer.

Lastly, fairness also means that you should not feel pressured or rushed to make financial decisions. As consumers, most of us dislike being pushed to make a decision. Yet there is no reason to procrastinate should we have all the needed ingredients to do so.

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