

RESPONSE TO CONSULTATION PAPER

Consultation topic:	MAS Consultation Paper on Revisions to Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers
Name/Organisation:	CFA Society Singapore: <ol style="list-style-type: none">1. Bryan Wong Bah Hung, CFA2. Chan Fook Leong, CFA3. Ling Hue Chye, CFA4. Nikita Kabanovs, CFA5. Pavel Potekhin, CFA6. Tang Kwang Boo, CFA
Email address for any clarification:	advocacy@cfasocietysingapore.org
Response to consultation paper	<i>Submitted on 8 February 2023 via link provided by MAS:</i> https://form.gov.sg/6397e5c20846b00012fa7815

Question 1. MAS seeks comments on the proposal to expand the application of the Guidelines to all FIs, and all financial products and services offered by them to all their customers, on a proportionate basis relevant to the nature of these products and services.

We are in general agreement with the proposal. Ultimately the board and senior management needs to be accountable for employee's behaviour to deliver fair dealing outcomes to customers and clients.

Nevertheless, there does not seem to be an assessment of the potential impact or experience from other jurisdictions cited by MAS in implementing similar proposals. Hence, MAS may wish to reconsider whether the proposed changes do indeed have the potential to achieve the five desired outcomes.

We also note the less than satisfactory experience from some CFA Society Singapore members with representatives in the financial services sector, and insurance industry in particular when it comes to understanding of health insurance and life products, many of which include investment components. Perhaps there should be (1) a step up in technical and ethical training, and (2) more robust CMFAS and CGI materials and exams. These steps may be more effective than the overarching guidelines as per suggested in the consultation paper.

On a separate note, it may also make sense to review whether the Guidelines shall also apply to Non-Bank Financial Institutions and other types of financial service providers.

Question 2. MAS seeks comments on the proposal to include expectations on sound and objective process to assess applications for financial products and services under Outcome 1 of the Guidelines.

Customers should be treated equitably. Inclusion of expectations of sound and objective process to assess applications for financial products and services under Outcome 1 is welcomed.

We highlight some areas in insurance underpinning our response above including unintended consequences of not having fair dealing as central to corporate culture:

- Insurance applicants who answered underwriting questions faithfully and to the best of their knowledge should not be penalised at the point of claim for not disclosing conditions that insurers did not ask applicants to declare.
- Women may be deterred from health screening should there be widespread practice of excluding coverage due to benign lumps and cysts. For example, an exclusion for breast cancer coverage when the client produces a medical note which states: "I am pleased to inform you that no visible sign of cancer was detected on your breast test. As discussed, there were calcifications.....this is not considered an important finding" may deter preventive measures such as health screening should coverage be excluded. Insurers have to be cognizant so as to not inadvertently discourage the public from seeking help when required, as well as going for regular health screening.
- Some insurers' practice of declining coverage based on stated conditions can deter one from seeking help when needed as in the case of mental health challenges.

Lastly, in order to ensure that fair dealing is indeed central to the corporate culture of a financial institution (as per Outcome 1), there is perhaps a need for control and monitoring checks so that expectations are met.

Question 3. MAS seeks comments on the proposal to –
(a) apply the Guidelines to product manufacturers; and
(b) include expectations on the design and manufacturing of products and services within Outcome 2 of the Guidelines.

We applaud the two proposals. Designing and manufacturing suitable products must start at the source.

For some insurance products, clients are locked into plans that entail premium servicing for extended period of time. The terms and conditions of such financial products should provide greater flexibility not to overly penalise clients who cannot continue paying premiums due to unanticipated situations such as critical illness, disability or long term unemployment, which are arguably beyond the control of the policyholder. Given these are plausible situations, product manufacturers can take these situations into account when designing future financial products.

Information of investment and insurance products is frequently written using difficult to comprehend language even by practicing professionals. Those who manufacture products should write them with favourable outcomes for customers and clients in mind.

Question 4. MAS seeks comments on the proposal to incorporate principles and include expectations on providing information that accurately represents the products and services offered and delivered, in Outcome 4 of the Guidelines.

We agree with the principles and suggested expectations.

We cite two instances on information related to cost we deem may be relevant information (and which should be disclosed) to achieve Outcome 4:

- Unit trust managers implementing swing pricing would incur costs. Since these adjustments are costs to some investors, the data should be disclosed. Changes to these costs should also be disclosed. In addition, an external party auditing these swing adjustments can provide more assurance to customers as well.
- Some CFDs and FXs are traded through platforms like MT4 and MT5. There are fees in swap points. The swap point is a significant cost to investors and should be disclosed.

Question 5. MAS seeks comments on the proposal to include expectations of disclosing RoR clauses and to exercise them judiciously, in Outcome 4 of the Guidelines.

We agree with the proposal.

Disclosure of the existence of RoR clauses should be highlighted to clients as part of the disclosure process. FIs should ideally refrain from revising RoR clauses. However, should terms and conditions need to be changed, there should be justifiable reasons to do so. Many existing customers and clients do wonder if RoR changes are used to commercially benefit FIs when the market moves against them (which should not be the case); or put them in any disadvantage vis-à-vis the FIs. Hence, communicating, standing in the shoes of the customer or client, and taking necessary steps are paramount to existing customers and clients buy-in.