



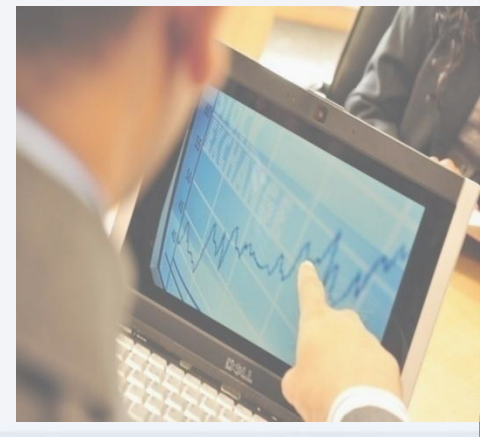
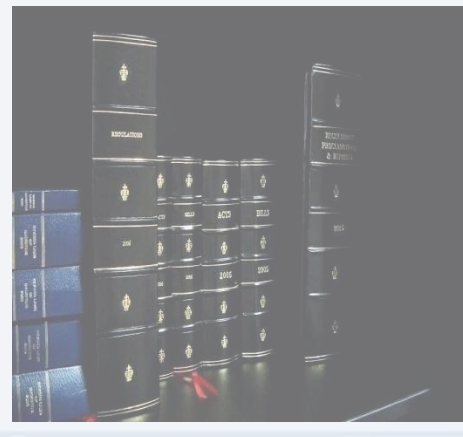
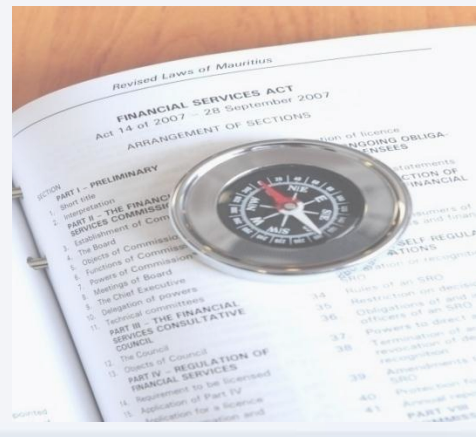
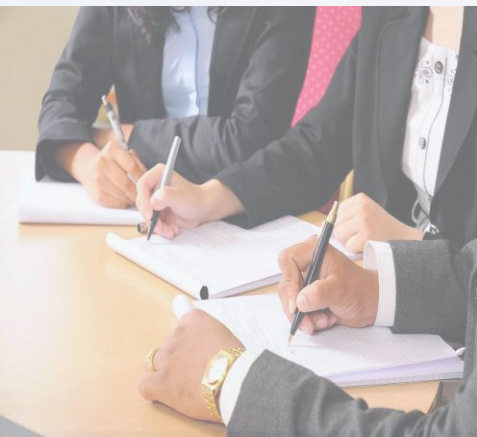
**Financial Services Commission**  
Mauritius



# Conduct Regulation

## - Regulation for Fair Market Conduct

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Yonesha Sahye  
Date: 5 July 2013



# Outline

- **Welcome and Introduction**
  - Statutory Objectives and Strategic Plan
  - Concerns
  - Challenges for Sound Conduct
- **Regulatory Focus**
- **Competency Standards**
- **Guidelines for Advertisement and Marketing of Financial Products**
- **Questions**

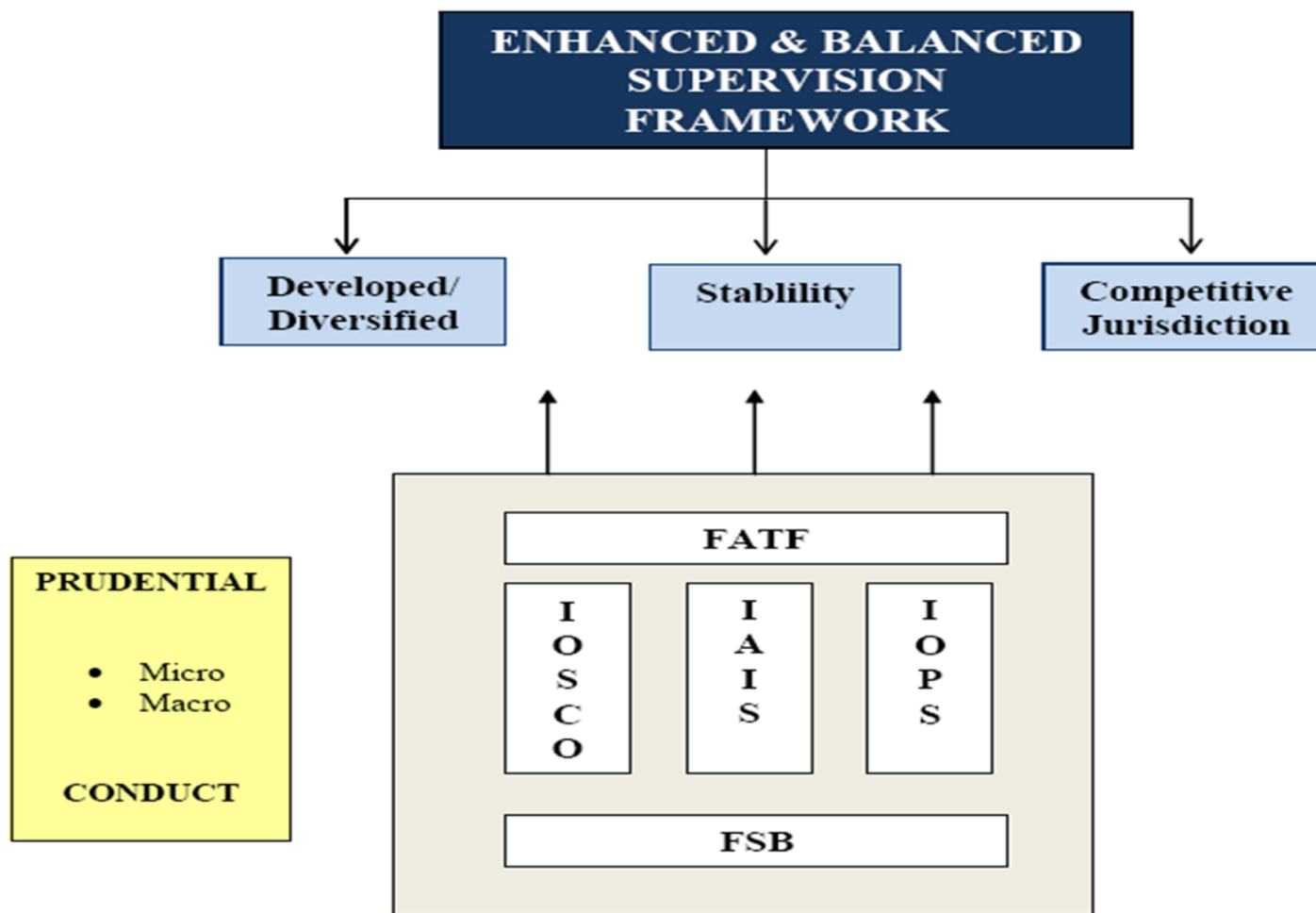
# Welcome and Introduction

# Statutory Objectives

The Financial Services Commission (the “FSC” or “Commission”) has the responsibility under the Financial Services Act 2007 (“FSA”):

- **5 (1)(b) of the FSA:** To ensure the sound conduct of business in the financial services sector and in the global business sector.
- **6 (c) of the FSA :** To set rules and guidance governing the conduct of business in the financial services sector and of global business.

# FSC Strategic Plan (since 2012)





# Concerns

- **Importance of conduct**

  - Integrity of markets

    - Markets and financial systems are sound, stable and resilient with transparent pricing information

  - Protection of consumers.

    - Consumers get financial services and products that meet their needs

- **Rules and Regulation**

  - Strike the right balance between allowing industry to thrive and ensuring it retains its integrity and delivers what consumers expect from it.
  - Enforcement / disciplinary actions
  - Dialogue with stakeholders

# Concerns

- **Consumer awareness**
  - Limited knowledge and experience of financial products
- **Sales and Marketing Practices**
  - Misleading advertisement
  - Aggressive marketing
- **Lack of transparency**
  - Key terms, relevant charges and penalties not clearly disclosed to the consumers
  - Terms not legible and not in plain language
- **Fees and Charges**
  - Hidden fees
- **Lack of Competency**
  - Service providers do not meet internationally recommended competency standards



# Challenges for sound conduct

- **Innovative & Complex financial products**
  - Financial products are becoming more diversified and complex
  - Financial literacy of consumers must keep pace with innovation
- **Wrongful business conducts**
  - Misselling of financial products
    - Abusive and deceptive business practices by service providers
  - Uninformed investment decisions which led to heavy losses
    - Consumers who invested their savings in high-risks products
- **Financial Scams**

# Regulatory Focus

- 1. International Principles and Standards**
- 2. Products**
- 3. Processes and People**
  - a. Implementation by firms / companies
  - b. Areas to be covered
- 4. Implementation by FSC**

# 1. International Principles and Standards



International Association  
of Insurance Supervisors

## IOSCO

Out of 38, 36 Observed and  
largely observed

## IAIS

Out of 26 ICPs, 8 largely observed  
and 2 partly observed

### Operators Licensees

#### H 31

... an internal function ... operational  
conduct, with the aim of protecting the  
interests of clients

#### H 32

... to minimize damage and loss to  
investors

### Intermediaries

#### ICP 18

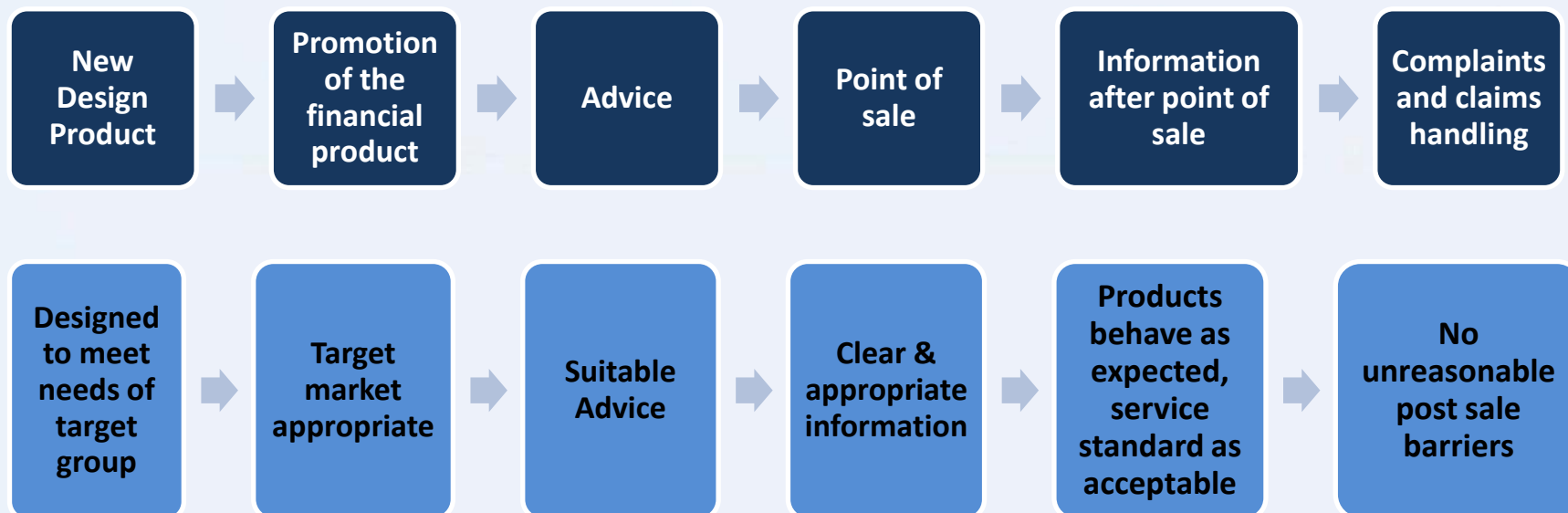
- To consider the setting of transparent  
and specific educational requirements  
for different classes of intermediaries;

#### ICP 19

- To review and address the approach to  
'fair treatment' of clients;

## 2. Products

Fair Market Conduct in every phase of the financial product **life cycle** = Fair **outcomes** for consumers



# 3a. Implementation by firms / companies

- To foster a good TCF culture framework, firms must have:
  - Right Leadership
  - Right Strategies
  - Right Decision Making
  - Right Controls
  - Right Recruitment, Training & Competence
  - Right Rewards and Recognition
- Monitoring
  - Firms to provide evidence that they are treating customers fairly and have embedded TCF in their organisational culture.

## 3b. Areas to be covered

- Staff **training**/awareness of 'Treating Customers Fairly' - TCF
- Sales and marketing **material**
- Product **understanding**
- Advice and sales **process**
- Fact find and flow of **information** to the client (incl. after-sales)
- **Complaint** handling
- Remuneration / **incentives**
- **Risk assessment** of TCF non-compliance
- **Record** keeping and Management Information



# 4. Implementation by FSC

## 1<sup>st</sup> Phase:-

- Introduction of Guidelines and Standards for the better protection of consumers of financial services:
  - A. Competency Standards
  - B. Guidelines for Advertising and Marketing of Financial Products

A background image showing several people in business attire sitting around a table, writing on documents. The image is semi-transparent, allowing the text to be clearly visible. The people are focused on their work, with their hands and pens visible as they write on papers.

# **A. Competency Standards**

# Competency Standards

## Application:

- Specific licensees who will need to satisfy **competency** standards before obtaining a licence:
  - i. Minimum **qualification**
  - ii. Minimum **experience**
  - iii. Completion of appropriate **regulatory assessment / examination**
  - iv. Professional Development (**CPD**)

## Purpose:

- To ensure better and consistent service level from licensees, to protect consumers and to align the market conduct with international standards and best practices

# Competency Standards - Sectors

## Phased approach:

1. Insurance
2. Capital Markets
3. Fund Management
4. Global Business
5. Pension

# Insurance Sector

**Target group:** Salespersons, Agents and Brokers

## **Completed:**

- Benchmarking against international principles and best practices
- Assessing the current level of competency of existing licensees

**Consultation for the Way Forward**

# Insurance Sector

## Benchmarking with International Standards and Best Practices

- IAIS Standards, ICP 18 Intermediaries
- International Best Practices – Agents and Brokers

Standards / Formal process	Canada	South Africa	India	Hong Kong	UK	Singapore	Australia	Mauritius *
Minimum qualification	X	√	√	√	√	√	√	X
Qualifying examination	√	√	√	√	X	X	X	X
CPD	√	√	X	√	X	√	X	X

\* Training by insurers and Assessment at licensing / approval stage by FSC



# Insurance Sector

## Assessing the Current Level of Competency

**Target Group:** Salespersons, Agents and Brokers

### Key Findings:

- **Qualification:** Salespersons/Agents – School Certificate, Brokers – Graduate/Professional Qualification
- **Experience:** Most Salespersons - No prior working experience, Agents and Brokers – Prior working experience
- **Training:** Salespersons/Agents – In-house training provided

# Competency Standards

## Way Forward – In Progress

Implementation of competency standards

- Consultation with the industry
- Transitional arrangement for existing licensees
- Extended to licensees in other sectors



# **B. Products**

## **Treating Customers Fairly (TCF)**

*Inspired by ASIC's document*

# Fair treatment throughout the financial product life cycle

## New Design Product

- Products designed to meet customers' needs
- Fair contract terms
- Equitable fees and charges
- Plain language
- Disclosure requirements



## Promotion of product or service

- Information given are timely, clear, accurate & comparable
- Marketing materials are clear & not misleading
- Products are sold are suitable to customers



## Information after point of sale

- Service support available to deal with enquiries promptly
- Sufficient notice given on renewal/expiry of contract



## Complaints and claims handling

- Easily accessible compliant handling process
- Complaints are addressed in equitable, objective and timely manner

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# Guidelines for Advertising and Marketing of Financial Products

## About the Guidelines:

- The Guidelines set out the **proposals** of the Commission on **good practice guidance** to assist Promoters of financial products comply with their statutory obligations to give **clear, accurate and balanced information** when advertising and marketing of financial products.

## Launch of the Consultation Process:

- The purpose is to seek the views from participants to the presentation and public in general on our proposed Guidelines.



# Outline of the Guidelines

## **Objective:**

- To promote responsible, ethical and professional conduct among persons who are involved in the chain of advertising and marketing of financial products, directed at consumers of financial services in Mauritius

## **Applicability:**

- To promoters of financial products offered in Mauritius; and
- To all forms of advertisements.

# The Guidelines

## Advertisements mean:

- i. commercial and promotional materials communicated through any medium and in any form, including:
  - magazines and newspapers, radio and television, outdoor advertising
  - the internet;
  - product brochures and promotional fact sheets;
  - direct mail (e.g. by post, facsimile or email);
  - telemarketing activities; and
  - seminars and presentations to groups of people.
- ii. used for the marketing or promotion of financial products to consumers **in Mauritius**; and
- iii. which are distributed through any medium.

# The Guidelines

## Promoters mean:

- any person licensed, authorised or approved under the relevant Acts to carry out or provide any financial services which require a licence, approval, authorisation or registration under the relevant Acts.

# The Guidelines

## Financial Products:

- include facilities through which, or through the acquisition of which, a person does one or more of the following:
  - makes a financial investment;
  - manages financial risk;
  - makes non cash payments;
  - and it includes financial services.

# The Guidelines

## Coverage of the Guidelines:

- General Principles/ Words and Layout:
  - Use of certain terms and phrases;
  - Returns, benefits and risks;
  - The advertisement's target audience; and
  - Consistency with disclosure documents
- Performance information;
- Warning disclosures;
- Cold Calls;
- Internet advertisement.

# The Guidelines

## Duties of Promoters:

- To **act responsibly**, with honesty, fairness, integrity and professionalism;
- **Not cause** misrepresentations regarding:
  - i. his **own credentials** or that of the financial products which he represents;
  - ii. the **nature or characteristics** of the financial products offered; and
  - iii. previous **performances** of the financial products he is marketing.



# Process and Timeframe

Process	Time Frame
<b>Presentation of the Guidelines</b>	<b>5<sup>th</sup> July 2013</b>
Deadline for submission of comments on the Guidelines	<b>By 26<sup>th</sup> July 2013</b>
Setting up and meeting of the Consultative Committee to discuss comments received	<b>By 30<sup>th</sup> August 2013</b>
Release of the Guidelines	<b>By 30<sup>th</sup> October 2013</b>

# Feedback and Comments

You are invited to submit your views and comments to the Commission by **26 July 2013**:

*By email :*

[advertising.dialogue@fscmauritius.org](mailto:advertising.dialogue@fscmauritius.org)

# Any Questions





# THANK YOU FOR YOUR KIND ATTENTION

## **Vision**

*“To be an internationally recognised Financial Supervisor committed to the sustained development of Mauritius as a sound and competitive Financial Services Centre”*



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Mauritius

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