



RECORD OF ADVICE



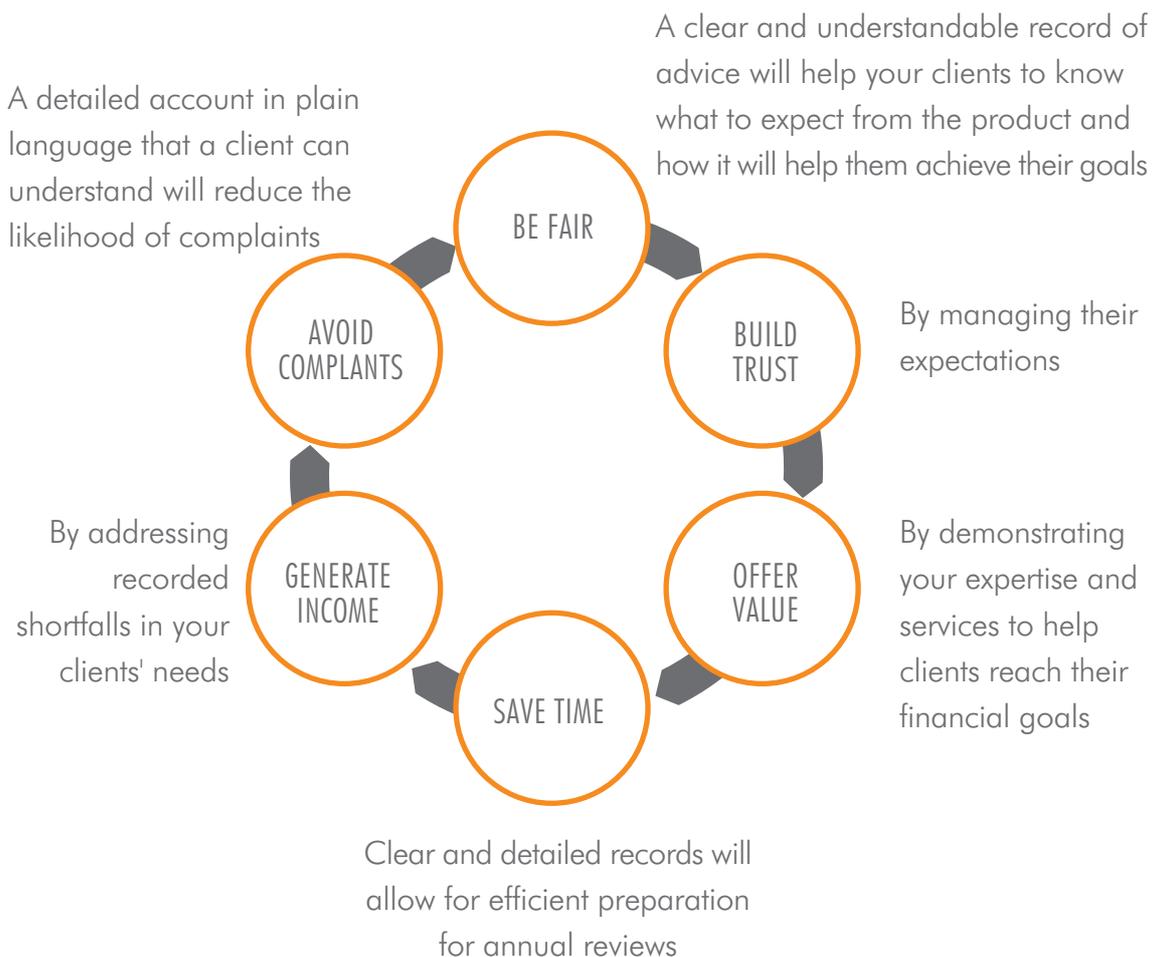
As a financial advisor, keeping a record of advice is a vital part of the job. It's just as important to keep a record of all your correspondence and communication with clients - not only because it's a legal requirement, but because it stands your business in good stead in the event of a client complaint.



WHAT SHOULD ADVISORS INCLUDE IN A RECORD OF ADVICE?

Recording communication and interaction with clients is important, as it would be careless and/or negligent to rely on a version of events that have been committed to memory alone. In all honesty, it's difficult to remember the exact details of conversations that occurred last week, let alone last month or even last year!

There are further reasons why you should keep a detailed audit trail - and provide your clients with a record of the advice given to them. By doing so, you can:



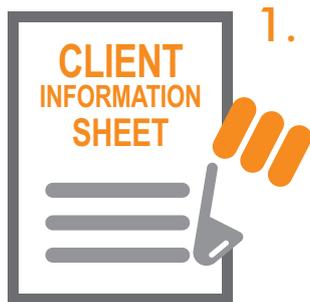
WHAT SHOULD BE INCLUDED IN A RECORD OF ADVICE?



The General Code of Conduct (GCOC) prescribes that the record of advice must **"reflect the basis on which the advice was given"**.



It has to include specific components which are:



1. A brief summary of the information and material on which the advice was based

A key factor leading up to the point of advice is understanding a client's circumstances, financial situation, financial product experience, goals and objectives as they relate to the need or needs being addressed.

Having done this, you can then apply your professional skill, knowledge and experience to identify a suitable solution for the client.

The record of advice must include a summary of this information, as it provides the context for the advice given. It should be detailed enough so that a third party, including the FAIS Ombud, can easily make the connection with your recommendation. While the questions and information asked will differ depending on the need being addressed, the requirement to document remains the same.



2. The financial products which were considered and why these were considered

It is important to document the different financial products that you considered before making a final recommendation to your client. Most advisors intuitively consider a variety of product options, including those offered by different product providers, as they have intimate knowledge and experience of each. However, they do not always set out these different options for their clients and it may seem that no alternatives were evaluated if the record of advice is viewed on its own.

In a recent FAIS Ombud Determination, one of the failings of an advisor was that no other product was offered to the client and the client was, therefore, unable to make an informed decision. This section of the record of advice should therefore reflect all the financial products you considered before arriving at the most suitable solution for the client.



3. The financial products which were recommended with an explanation of why

After assessing a client's information and evaluating possible options, you are expected to recommend or select the product you believe best suits the client's needs and objective.

This should be accompanied by an explanation to substantiate and give reasons for this advice. In other words, this very important part of the record of advice sets out your rationale. The financial product may not meet the client's every criteria or need but, on balance, should be the most appropriate of the different options. The record of advice should provide enough detail to support your recommendation.

Masthead often finds this explanation is sparse and lacking in substance, and this is borne out by some of the FAIS Ombud Determinations against advisors. If the summary of information on which the advice was based and the reason why a recommendation was made is limited, you will find it difficult to prove you have been fair to your client and provided appropriate and suitable advice.

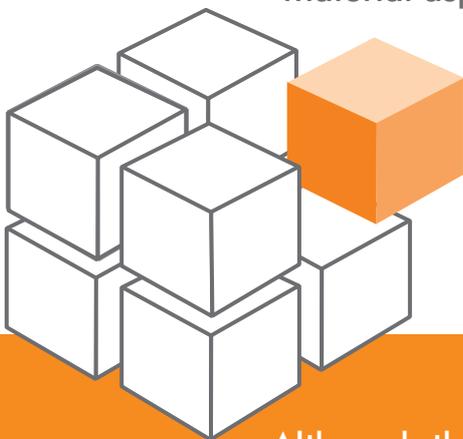
If you are recommending that your client replace one financial product with another, you must refer to the GCOC - it gives detail on the type of information that you must give to your client in comparing the one product with the other. Your record of advice should also include enough information to clearly reflect the discussions with the client regarding the reasons for the replacement and how this will place the client in a better position.

4. Important information



A record of advice should also include those important and material aspects of the financial product that the client must be aware of so that their expectations are in line with how the product will perform and they clearly understand how to meet their obligations - examples are where cover is dependent on the client installing a tracking device, having the tracking device tested annually or informing the insurer of a change in occupation.

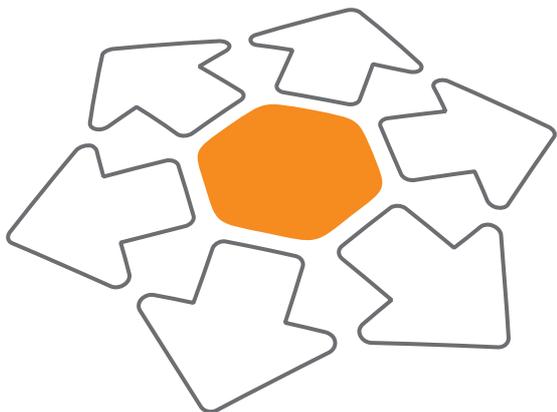
Many advisors rely on the information set out in the quote or some explanatory document about the product. However, the FAIS Ombud looks to the record of advice for evidence that your discussion with the client included all the important and material aspects.



BUILDING EFFICIENCIES IN YOUR BUSINESS

Although the process of keeping appropriate records takes time, the benefits far outweigh the drawbacks. In the longer term, it should build efficiencies in your business. Also, dealing with client complaints can be a costly and time-absorbing exercise. With a complete record of advice at hand, you will be able to swiftly sort out client complaints before they escalate.

OUR UNIQUE RISK MANAGEMENT OFFERING



Our focus on compliance takes on a broader view than that prescribed by the regulators. We look at other areas of the business that could also pose a threat, like not having the right systems and operational processes in place. This broader view forms the basis of our unique risk management offering which addresses overall risk in a business. This is one of our key differentiating factors.

We focus strongly on overall risk because we want our clients to stay in business for the long haul.

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