

## When financial advisers misbehave



File photo showing workers in Singapore's central business district on Feb 7, 2018. ST PHOTO: ALVIN HO

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**They must look after interests of customers, who in turn should assess any advice carefully**

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Five insurance representatives and one relationship manager caught mis-selling financial products were well and truly stopped in their tracks last month. They were issued prohibition orders, which bar them from working in the financial arena for certain periods.

They are barred from providing any financial advisory service. They also cannot take part in the management, act as a director, or become a substantial shareholder of any financial advisory firm under the Financial Advisers Act for certain periods.

One of them is also prohibited from performing any regulated activity under the Securities and Futures Act.

The crackdown marks the first time the Monetary Authority of Singapore (MAS) has issued such orders against insurance agents for mis-selling breaches. The offences involved 29 clients, 48 insurance policies and one structured note. Some of the clients were "vulnerable", defined as those aged 62 and older, not proficient in spoken or written English, or less educated.

A wide-ranging MAS probe found the six people had committed one or more of the following breaches:

- forgery;
- making false or misleading statements to clients when providing financial advice;
- making false or misleading representations to the insurer;
- providing financial advice without due consideration of a client's financial situation; and
- improper switching.

## Buying insurance and investment products?

What should I find out from my representative...

### 1 Has my representative recommended a suitable product?

**The recommended product should meet your:**

- financial needs;
- budget and financial situation;
- investment risk level;
- financial objectives; and
- complement your existing investment/insurance products.

### 2 Has my representative shared all important and relevant information?

**Your representative should share the following information about the recommended product:**

- name of insurer or investment manager;
- terms and conditions;
- benefits and risks; and
- premium, costs, expenses, fees.



**3 Does the advice correspond to the insurance or investment policy?**

**You should verify the following details from your insurance or investment policy documents before the purchase:**

- premium or investment amount;
- early-termination clauses;
- payment frequency;
- product risk;
- payment duration;
- maturity date; and
- guaranteed or non-guaranteed returns.

**4 Is the information in my insurance document accurate?**

**Your representative should not advise you to do the following (or do so on your behalf):**

- write false or misleading information; or
- not disclose information.



**5 Is there any benefit to switching my insurance or investment product?**

**If your representative recommends a switch, you should check if it would cause you to:**

- suffer a penalty for terminating your original product;
- incur transaction costs without gaining benefits;
- obtain fewer benefits at higher or same cost; or

obtain same benefits at higher cost

## THINGS TO REMEMBER AFTER YOU HAVE DECIDED TO BUY

- Take note of the free-look or cancellation period
- Read all documents provided carefully before signing
- Never buy a product you do not understand
- It may be costly to terminate and replace your existing product during its early years



NOTE: To find out more about what to look out for when dealing with your representative, please visit the MoneySense website at <http://www.moneysense.gov.sg>.

Source: MAS SUNDAY TIMES GRAPHICS

Most of the misconduct took place between 2013 and 2015, except for one case that occurred in 2009 and 2014.

Mr Lee Boon Ngiap, MAS' assistant managing director (capital markets), says representatives of financial institutions who give advice on financial products have a duty of care to their customers.

"MAS will take stern action against representatives who betray the trust placed in them and provide false or misleading information or give irresponsible advice to their customers. And MAS will publicise these actions to send a clear message that such misconduct will not be tolerated."

Ms Pauline Lim, executive director of the Life Insurance Association Singapore (LIA), adds: "LIA and our member companies take a serious view on this matter as such actions do not uphold the interest of consumers. The companies that employed the errant individuals also took decisive action following internal investigations.

"Our members remain committed to raising the professionalism of their life insurance agents, as well as putting in place checks and controls, such as the Balanced Score Card framework, to ensure quality of advisory provided to their customers."

Financial advice can seem complex and rather intimidating, so it is not unreasonable to put a lot of trust in a financial advisory representative to guide us through the maze.

But Mr Brandon Lam, Singapore head of financial planning group at DBS Bank, says it is still prudent to assess any advice carefully and to take a holistic view towards financial planning.

It means knowing your budget, understanding your financial life goals and gaps, your risk appetite and the various product classes and instruments.

That will allow you to ascertain if the products suggested by a planner meet your financial objectives.

"They should first seek to be empowered through financial literacy before seeking guidance from trusted wealth partners to make informed financial decisions," he adds.

When buying insurance and investment products

## **WHAT TO LOOK OUT FOR IN A REPRESENTATIVE**

Investors should ensure that their financial advisory representative explains the product features and risks clearly and shows just how it is suitable, says Ms Lee Ee Ling, head of consumer financial services risk and prevention at OCBC Bank.

"It is important for the retail investor to know his commitment to the insurance or investment product, and he should clarify all doubts before agreeing to proceed with the purchase," she adds.

"All the relevant sales documents (such as product brochures) should be given by the rep and the customer should review these documents. In cases where the customer is not comfortable with the recommended product, he should approach the rep to withdraw subscription within the free-look or cancellation period."

## **WHAT ARE THE REPRESENTATIVES' RESPONSIBILITIES?**

Mr Lam says representatives should seek to understand each customer's needs, goals, budget and risk profile through a rigorous fact-finding process.

They must also be transparent and upfront about the options.

A representative should "clarify the customer's understanding of the options and provide at least two to three options to fulfil their goals/ needs".

Mr Lam adds that a representative should also "share clearly the strengths and limitations" of these options.

And assumptions should not be made about a customer's needs based on the representative's personal perspectives and experiences.

Recommendations based on "popular" products and promotions should also not be made, says Mr Lam.

Ms Lee of OCBC notes that it is the representatives' responsibility to gather sufficient information about their customers to make suitable recommendations.

"They should make it known that it is important for their customers to be forthcoming, to provide accurate information and to have a proper financial needs analysis conducted," she says.

Representatives must also ensure that their customers fully understand the features and risks during the product explanation, especially vulnerable customers who may need more time to take in the details. Important information should not be withheld from the customers or false representations made.

This could involve not informing clients of the penalties if they do not hold a product until maturity, or saying a product has a guaranteed feature when it does not.

The Sunday Times highlights the offences committed by the six errant financial advisory representatives. The prohibition orders handed down vary in length, but they bar the five insurance representatives from providing any financial advisory services and taking part in the management, acting as a director, or becoming a substantial shareholder of any financial advisory firm under the Financial Advisers Act. There are further sanctions imposed on the former Citibank representative. The orders took effect in late April and early May.

#### **MR DAVID HIAH XINKAI, FORMER REPRESENTATIVE OF PRUDENTIAL SINGAPORE**

Seven-year prohibition order

**His offences:** Mr Hiah forged the signatures of several policyholders to effect fund switches in their investment-linked policies without their knowledge or consent. He did so as he was concerned the policyholders would surrender their policies and that he would face disciplinary action by Prudential if they did so.

He also intentionally provided false or misleading information relating to his clients' personal details to Prudential when arranging insurance contracts for his clients.

This resulted in his clients losing their policy rights while Mr Hiah earned commissions from the sale of the insurance contracts.

#### **MS HENG GOID HOON, FORMER REPRESENTATIVE OF AIA SINGAPORE**

Four-year prohibition order

**Her offences:** Ms Heng advised her client to switch investment-linked policies without disclosing the switching costs and made false declarations in the client's policy application forms to avoid scrutiny from AIA. The client incurred significant costs as a result, without any real benefit from the switch.

Ms Heng was also able to secure commissions by deliberately delaying the policy switch to circumvent industry-prescribed rules that disallow commissions for early policy replacement.

#### **MS KOH MEI LING, FORMER REPRESENTATIVE OF AIA SINGAPORE**

Three-year prohibition order

**Her offences:** Ms Koh recommended an investment-linked policy to her client without due consideration of her client's financial situation.

In addition, she provided false information to AIA by intentionally inflating her client's annual income in the policy application, which led to AIA issuing the policy.

As a result, Ms Koh earned commissions from the sale of the investment-linked policy and the client purchased an investment-linked policy she could not afford.

#### **MS JANE YEO HUI RONG, FORMER REPRESENTATIVE OF AIA SINGAPORE**

Three-year prohibition order

**Her offences:** Ms Yeo made false and misleading statements to her clients about the features of their investment-linked policies.

She misrepresented to her clients that their investment-linked policies had guaranteed investment returns, when she knew the policies did not guarantee returns. Ms Yeo secured commissions from the sale of these policies and the clients did not earn the promised returns.

### MR NIGEL CHUA BINGQUAN, FORMER REPRESENTATIVE OF PRUDENTIAL SINGAPORE

Three-year prohibition order

**His offences:** Mr Chua made false or misleading statements to induce several clients to switch their policies in a manner detrimental to them. The clients incurred significant switching costs, which included Mr Chua's commissions, for policies that did not meet their needs and risk profiles.

In addition, Mr Chua made false declarations and omitted material information in policy sales documents to avoid scrutiny from Prudential on his clients' switching of policies.

### MS ZHENG XUEMEI, FORMER REPRESENTATIVE OF CITIBANK SINGAPORE

Two-year prohibition order

Apart from the sanctions imposed, Ms Zheng is also barred from performing any regulated activity and taking part in the management, acting as a director, or becoming a substantial shareholder of any capital market firm under the Securities and Futures Act.

**Her offences:** Ms Zheng made a false statement to her client that his structured note was called back by the issuer. The client was misled into executing an early redemption of the structured note. Ms Zheng also made a false declaration in the sales document of the client's reinvestment.

