

ETHICAL AND MORAL DILEMMAS FACED BY FINANCIAL PRACTITIONERS

2018 will go down in recent history as the year with the highest number of prohibition orders issued by the Monetary Authority of Singapore (MAS) to financial advisers.

What is a prohibition order? A prohibition order is issued by the MAS under Section 101A of the Securities and Futures Act or Section 59 of the Financial Advisers Act. This order prohibits an adviser from performing any regulated activity under the Securities and Futures Act (SFA) and any financial advisory service under the Financial Advisers Act (FAA), as well as taking part in the management, acting as a director or becoming a substantial shareholder of any capital market services firm under the SFA and any financial advisory firm under the FAA. In other words, the non-compliance act committed by the adviser is very serious that leads to such an order.

A study into the background of these advisers shows a disturbing trend. Some of these advisers are experienced, technically competent, well educated, and some even have been consistently productive advisers.

So what caused them to change?

1. TEMPTATION

We are all subjected to the temptation of various degrees daily. There is a temptation of cutting corners; quick sales; and on earning money well. Most of the misdeeds on which the prohibition orders issued above were the results of misrepresentation or mis-selling of high commission financial products. There is nothing wrong with selling high commission products; however, everything is wrong if the product sold is not suitable to the client's situation.

2. PRESSURE

Some pressure is good as it spurs one to greater heights. But some advisers allow pressure to consume them, resulting in doing things to maintain an (successful) image; and overly focusing on achieving key performance indicators instead of focusing the process of assisting the client to make a wise financial planning decision. This is a common problem faced by advisers regardless of whatever stage they are in, in their career.

3. IGNORANCE

Sometimes when one is operating under pressure or is tempted, it is very easy to justify one's misdeed. For example, one adviser could be convinced that using a premium financing method can enable a client to commit to a policy with a high premium without counter checking the clients ability to finance the policy in the long run as well as checking on the impact on the clients balance sheet, especially how they manage their liabilities.

The environment in which the adviser is operating in also plays a part in shaping his moral compass.

In organisation theory, this is called a groupthink. Groupthink is a psychological concept that occurs within a group or organisation in which the desire for conformity in the group results in a dysfunctional decision-making outcome.

Hence, if the environment which the adviser is operating does not promote professional education or reading, the adviser might not even realise their own shortcomings, any alternate views on his perception will be met with rigorous defence, until the law catches up with them.

WHAT CAN WE DO TO PREVENT MORE PROHIBITION ORDERS BEING ISSUED?

First, we have to look hard within ourselves, as advisers from time to time we will be tempted, pressured and be ignorant.

Second, we must constantly create and improve a platform, for example, a professional association, to encourage the right behaviour with regular fellowship, sharing of our struggles and to encourage one another.

WHAT CAN WE DO TO PREVENT MORE PROHIBITION ORDERS BEING ISSUED? *(CONT'D)*

Third, there is no such thing as having arrived in our knowledge and skills; we have to constantly educate, read and attend relevant seminars to ensure we are not ignorant to the trends and evolution of our industry.

An advisor who is caught in a moral dilemma should also learn to ask for help, there are many times in our career where we will be in a crossroad, choosing between what's right for ourselves and for our client, it happens in all sales related professions.

When you are in such a dilemma, do not be afraid to ask for help from your seniors within your organisation. If you feel that you might still not be getting the morally right answer, always put yourself in your client's shoe and ask yourself, would you as an advisor sell the same product to yourself if you were the client?

With the advent of social media, there are some Facebook profiles, groups and individuals who question the integrity of our advisors and their moral values, we should always remember that one bad apple in the industry is enough to taint our reputation like a drop of ink in a glass of milk. We all have a moral and civic duty to protect the good name of our profession.

Let me conclude, a technically competent professional without ethics is a very dangerous being. Passing an exam in ethics does not necessarily mean the adviser is ethical or will continue to be ethical. Ethics can only be learnt by following an example.

There will always be situations of temptation, pressure and unintended ignorance; but let us rise to the occasion, to be the example, which the younger generation of financial advisers can look to when they too face their moments of temptation, pressure and ignorance.

ABOUT THE AUTHOR

Allen Lim is licensed financial practitioner in Singapore. He holds a CLU/S and ChFC/S designations. Allen is an active member of IFPAS and is serving the association as the 2nd Vice President and heading the Education and Training Department.