

## **FSCA COMMUNICATION 46 OF 2020 (FAIS)**

### **Prepopulated Records of Advice**

#### **1. BACKGROUND**

- 1.1. In terms of section 9 of the General Code of Conduct for Authorised Financial Services Providers and Representatives, 2009 (General Code), a provider must maintain a record of advice furnished to a client as contemplated in section 8 of the General Code, which record must reflect the basis on which the advice was given.
- 1.2. Section 9(1)(d) of the General Code prescribes the information that must be recorded in the record of advice when a financial product is replaced with another financial product.
- 1.3. It has come to the attention of the Financial Sector Conduct Authority (the Authority) that there is a practice in the industry that records of advice on replacement products are prepopulated by certain financial institutions (prepopulated records) and made available to the industry.

#### **2. CONCERN**

- 2.1. The Authority is concerned about this practice, as various instances of incorrect advice, based on factual errors on the prepopulated records, were identified. The net result is that clients are given advice based on incorrect comparisons of policy wording, fees, benefits and exclusions on prepopulated records.
- 2.2. The purpose of a record of advice in respect of a replacement product is to provide a client with a detailed, factual and accurate comparison of the existing product, with the proposed replacement product(s). It is therefore imperative that the information contained therein is accurate and that the client can rely on it.
- 2.3. A provider must always act in accordance with section 2 of the General Code which requires that the provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.
- 2.4. The Authority is concerned that when providers receive prepopulated records from other sources, they don't necessarily confirm that the information contained therein is correct. In the absence of such individual confirmation by the provider, the client may receive information that is inaccurate. When a client makes a decision based on such incorrect information, the provider might be held responsible for any damages that the client may suffer as a result of this decision.

### **3. RECOMMENDATION**

The Authority strongly recommends that providers confirm the accuracy of all information on prepopulated records before they use it to provide recommendations to clients. If providers discover inaccurate or insufficient information on the prepopulated records, it remains their responsibility to correct it accordingly.

### **4. CONTACT**

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