



## INTERVIEW WITH LEONG SOW HOE

In this special segment of Tuesday Times, IFPAS Education & Training Working Committee Member Miss Edwina Woo interviewed Mr Leong Sow Hoe, who is the current the Chairman of IFPAS Strategic & Technical Advisory Response (STAR) team.

Sow Hoe talked about how the STAR Team fought to get an audience with the Monetary Authority of Singapore (MAS) regarding the Financial Advisory Industry Review (FAIR) proposals.

The full video interview is available at IFPAS YouTube Channel under the Hard Talk video series.

## Conferring with the regulator

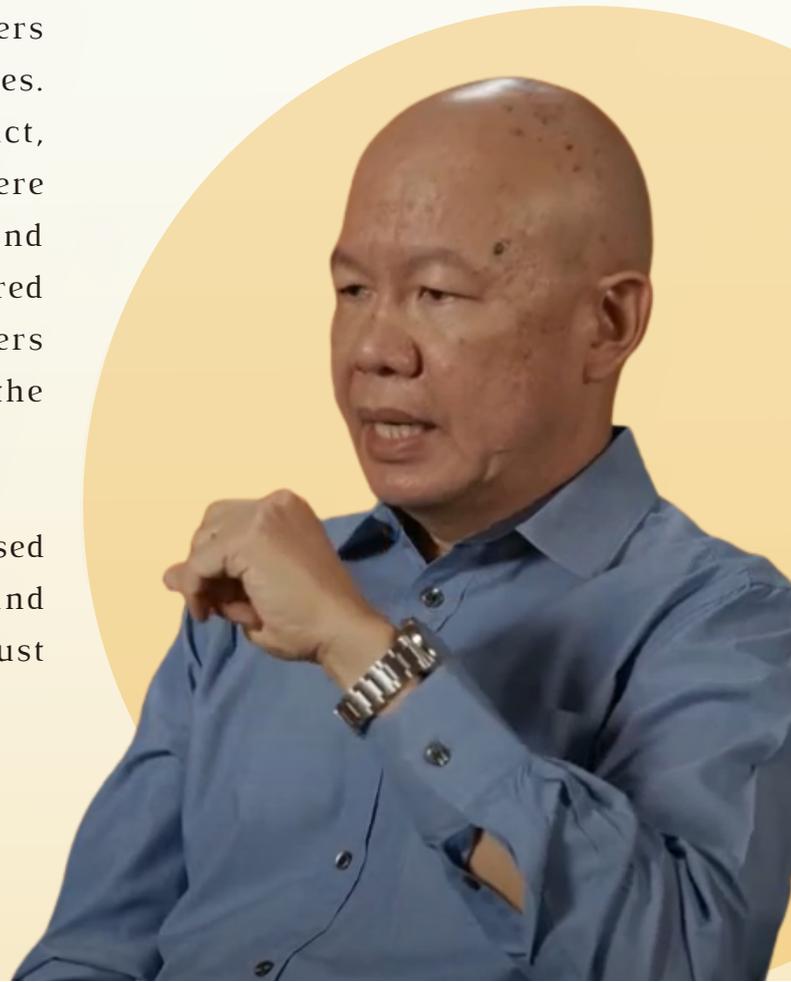
**Leong Sow Hoe (LSH):** I wrote to MAS seeking an audience, wanting an opportunity for the STAR team to present and make our case in front of the FAIR panel. The request was initially rejected, but the team pursued and wrote to the Prime Minister twice. Eventually, the STAR team was granted a 1-hour session with the FAIR panel on 21 August 2012.

The regulator was looking at other jurisdiction regarding the proposed fee-based system and elimination of the commission scheme for industry practitioners. The STAR team did a comprehensive research on these markets, including the local market. It was found that situations at the overseas jurisdictions were not exactly great as practitioners were leaving the industry and customers were making the wrong choices when buying financial products without the proper guidance from the advisers.

In Singapore, it was found that the market was well penetrated, and customers were sufficiently covered with relevant financial policies and arrangement.

The STAR team conducted market surveys to gather feedback from consumers regarding the service standards and fees. The responses were very positive. In fact, the results showed that consumers were very happy with the transactions, and professional and financial services rendered by their respective advisers. Consumers were not overly concerned as to whether the advisers were getting fees or commission.

The STAR team then compiled and analysed the market survey and research, and presented to the FAIR Panel on 21 August 2012.



## Changing perspectives and collaborating with regulators

**LSH:** I gave the presentation of my life. I was told that after my presentation, several members of the FAIR panel were convinced to reconsider the earlier decision of moving towards fee-based and 2-tier model. That specific presentation influenced the FAIR panel to take another vote, which sealed the fate that Singapore is not yet ready for a fee-based system and the 3-tier structure will remain.

MAS was impressed with the presentation of the STAR team and they had invited the STAR team for further discussion and deliberation. A very cordial relationship was since established, with an open communication whereby all stakeholders in the industry are fairly considered and treated.

## Levelling of commission, reducing distribution cost, web aggregator & direct purchase



**Edwina Woo (EW):** One of the recommended changes was reduction of commission in the first year and the subsequent years. What's the idea behind it?

**LSH:** One of the STAR team members highlighted that by doing this, it actually translated to a pay cut. The FAIR panel acknowledged and subsequently accepted the STAR team's proposal to increase the payable commission in the first year. There were many lessons learned during this period, but one thing I learned was that MAS will always be reasonable and approachable. They do listen and wherever applicable, they can adjust. Reflecting on what had transpired, it was evident that if we did not fight for our rights in compensation, we find others doing it for us.

**EW:** MAS wanted to reduce distribution cost, and one of it was to reduce the structure from 3 tiers to 2 tiers. How did you show MAS that this was not beneficial for the industry?

**LSH:** I explained to one of the FAIR panel members the rationale behind the 3-tier structure - fostering an enterprising spirit and career growth - which had been working well so far for the industry. Overall, the most important thing was for the agency and its people to do the right things, be compliant and be competent. The 3-tier structure therefore remained.

**EW:** The second initiative was to reduce distribution costs by allowing consumers to buy directly from the insurance company and to promote *compareFIRST website*, a web aggregator where insurance companies' products could be compared online, giving consumers the liberty to do their own preferred product comparison and purchase. What are your thoughts and what feedback did you get from financial practitioners when they heard that such a digital initiative was coming up?

**LSH:** I had approached MAS on numerous occasions to highlight the concerns and potential threat of this web aggregator and direct purchase. MAS response was about offering choices to consumers as consumers would generally like to make their own choices. While I acknowledged the ease this would bring for consumers, one example I pointed out to MAS was the research data of making wrong choices of plan purchase in Australia, potentially due to misunderstanding technical jargons, sustainability issue for consumers, as well as increased risk for insurer due to non-declaration.



A proposal to have the direct purchase easier and simpler was made with a limited range of product and capping on coverage amount. I shared that the percentage of direct purchase was low and web aggregator did not heavily affect the advisers as most consumers buy because of the trust and confidence they had with the advisers.

Ultimately, it is really up to the individual agent. Technology is inevitable and can be used to augment any industry's service efficiency. If an adviser delivers well in terms of service and knowledge, then one should not fear that clients would choose online platform and move away from personal financial advice.



**The STAR Team**

**(L-R): Michael Seow, Frank Ng, Wee Tiong Howe, Leong Sow Hoe, Dennis Tan, Roland Yeo(+), Chan Keng Leong**

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