31 December 2012

To Labuan Life Insurance Brokers

Supplementary Guidelines on Standards of Certification for Labuan Financial Advisors under the Employment of Labuan Life Insurance Broking Companies

This Supplementary Guidelines is issued pursuant to section 4A of the Labuan Financial Services Authority Act 1996 and shall form part and parcel of the Guideline on Insurance Broker issued by Labuan FSA on 4 June 1996 and subsequently amended on 13 September 2001 (both Guidelines are collectively referred to herein as "the Guidelines"). Any person who fails to comply with the Guidelines may be guilty of an offence punishable under section 36B or section 36G of the same Act, as the case may be.

Professional Certification and Development Program (Program)

2. Labuan FSA, in collaboration with the Labuan International Insurance Association (LIIA), the Malaysian Institute of Insurance (MII) and the Chartered Insurance Institute UK (CII), has decided to introduce a Professional Certification and Development Program (Program) for appointed representatives of Labuan life insurance broking companies carrying on "client advising" and/or "client facing" activities.

Definitions:

Client Advising: The activity would involve giving advice or recommendation to a public person. This shall apply to any appointed or designated representative of a licensed Labuan insurance broking company including but not limited to financial advisor or financial consultant that has any direct contact with a prospect or client of the company shall be deemed "client advising" where the person is providing, discussing or presenting advice and/or recommendations of services and/or product to members of the public on behalf of the firm, whether such advice and/or recommendations are generic, specific or centered upon a class of products and whether such is communicated verbally, electronically or in written form.

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Client Facing: The activity would involve promoting the services of the life insurance broking company in a generic manner. This shall apply to any appointed or designated representative of a licensed Labuan insurance broking company including but not limited to business development manager or coordinator of a licensed Labuan insurance broking company that has direct contact with a prospect or client of the company where they are promoting or offering the services of the company to members of the public but the promotion or offer is generic and not product specific or centered on a class of products.

Objectives of the Program

3. The primary objectives of the Program are as follows:

a. To institute professional standards of conduct and an appropriate code of ethics;
b. To establish a sustainable professional learning program able to meet multi-national products and fulfil diverse client needs;
c. To rationalise international qualifications under a harmonised international matrix; and
d. To raise the profile of both new and existing Labuan financial advisors, which would result in enhanced consumer confidence, transparency, expertise, and valued services provided to the clients of the Labuan life broking companies.

4. The Program would focus on technical proficiencies, via examination and training, as well as maintaining professionalism through continuous professional development and recognized code of ethics. The certification standards designed for the financial advisors are as per Appendix A.

Participation in the Program

5. Please be reminded that effective 1 January 2013, all Labuan life insurance broking companies are required to comply with the Guidelines and ONLY employ financial advisors and/or business development managers/coordinators that have acceptable qualifications as per the program or equivalent credits to provide client advising or client facing activities, respectively, for and on behalf of their companies. The phases of the program are as follows:

Requirements for <u>current</u> financial advisors

Phase 1: By 31 December 2012, all financial advisors:

- Must have the Labuan Financial Planning Course (LFPC) 1 (or an equivalent of 15 credits)
- Must attend Labuan Life Broker Induction Course (LLBIC)
- Must be MII and CII members

Phase 2: By 31 December 2013, all financial advisors:
- Must be certified LFPC2 (or an equivalent of 45 credits)
- Must complete 35 hours CII certified Continual Professional Development (CPD)
- Must continue to be MII and CII members

Phase 3: By 31 December 2014, all financial advisors:
- Must be certified LFPC3 (or equivalent of 70 credits)
- Must complete 35 hours CII certified CPD
- Must continue to be MII and CII members

Annually thereafter, all financial advisors:
- Must complete 35 hours CII certified CPD
- Must continue to be MII and CII members

Requirements for financial advisors employed from 1 January 2013

Phase 1: Upon appointment, all financial advisors:
- Must have the LFPC1 (or an equivalent of 15 credits)
- Must attend LLBIC within three months of appointment
- Must be MII and CII members

Phase 2: Within 12 months of appointment, all financial advisors:
- Must be certified LFPC2 (or an equivalent of 45 credits)
- Must attend LLBIC within three months of appointment
- Must continue to be MII and CII members

Phase 3: Within 24 months of appointment, all financial advisors:
- Must be certified LFPC3 (or equivalent of 70 credits)
- Must complete 35 hours CII certified CPD
- Must continue to be MII and CII members

Annually thereafter, all financial advisors:
- Must complete 35 hours CII certified CPD
- Must be MII and CII member

Requirements for financial advisors employed from 1 January 2014 onwards

Phase 1: Upon appointment, all financial advisors:
- Must attend LLBIC
- Must be certified LFPC2 (or equivalent of 45 credits)
- Must be MII and CII members

Phase 2: Within 12 months of appointment, all financial advisors:
- Must be certified LFPC3 (or equivalent of 70 credits)
- Must continue to be MII and CII members

Annually thereafter, all financial advisors:
- Must complete 35 hours CII certified CPD
- Must continue to be MII and CII members

6. In addition, please also be informed that the entry level qualification and Induction Course will also be applicable to individuals that are promoting the services of the company in a generic manner.

Requirements for business development managers/coordinators

From 1 January 2013, all <u>current</u> business development managers/ coordinators:
- Must have LFPC1 (or an equivalent 15 credits)
- Must attend LLBIC by 31 December 2013

Requirements for new applications for business development managers/coordinators

All <u>new</u> business development managers/ coordinators:
- Must have LFPC1 (or an equivalent 15 credits)
- Must attend LLBIC within 3 months of appointment

In future, should these individuals upgrade themselves to become financial advisors, they would then be required to comply with the standards of certification.

7. Notwithstanding, please be advised that this Guidelines will not be applicable to persons appointed by the company such as Personal Assistant, Clerks, Office Administrator whose duties are solely administrative in function and nature, and does not involve the promotion or advice or recommendation of services or products to the general public.

8. Kindly contact the LIIA for complete details on the requirements of the program for existing and new financial advisors including the modules and schedules of the examination and training.

Please be guided accordingly.

Yours sincerely,

Jaffree Ismail
Deputy Director
Business Operations Unit

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Appendix A

All financial advisors must fulfil the requirements with regard to the Labuan Life Broker Qualification Pathway (LFPC1 – 3)

Level 1	Entry Level qualification	Labuan Financial Planning Certificate 1 (LFPC1) or equivalent of 15 credits
Level 2	Core level qualification	Labuan Financial Planning Certificate 2 (LFPC2) or equivalent of 45 credits
Level 3	Core level qualification	Labuan Financial Planning Certificate 3 (LFPC3) or equivalent of 70 credits
	Continual Professional Development (CPD)	Type of courses which qualify for the CPD points will be drawn up by the LIIA, MII and CII, and shall include both relevant technical and non-technical courses

In addition to the above, all financial advisors are required to:

1. Become members of the MII and the CII;
2. List their names on the LIIA website so as to enable potential clients to find and verify them. Any resignation of the Labuan financial advisor must be updated within seven days from the date of resignation; and
3. Attend Induction Course within three months from the date of appointment. The Induction Course comprises the following subjects:
   (a) Financial Planning
   (b) Malaysian Taxation
   (c) Anti Money Laundering
   (d) Ethics
   (e) Life Insurance Products