The Value Proposition of Dispute Resolution for Investor Education - the Investor, the Intermediary, the Regulator & A Case Study on Putting it All Together

Sujatha Sekhar Naik
Chief Executive Officer
Securities Industry Dispute Resolution Center

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How ADR Contributes to Investor Empowerment

**Characteristics of Empowered Investors**

**Aware**
Empowered investors are able to access timely and quality information with little or no cost.

**Able**
Empowered investors are able to enter into and exit from markets, investments and dealings with intermediaries with minimal friction cost or impediments.

**Accountable**
Empowered investors are accountable for their actions.

**Pro-active**
Empowered investors are able to exercise their rights effectively and equitably, and access to timely and cost effective avenues for recourse.

**Alternative Dispute Resolution**

...to build investor confidence by providing access to information as well as facilitating accountability and pro-activeness in the market.
How ADR Contributes to Investor Education

**DIFFERENT TYPES OF INVESTORS**

- Financial constraints
- Limited market knowledge
- Unsound judgments
- Apathetic

- Experienced, empowered
- Taking proactive steps for redress

**ADR Dispute Resolution Process**

1. Effective delivery of learning point
   - At point of need
   - In the context of real-time problem

2. Gains better understanding of issue at hand, the product/service, intermediary’s process, regulatory requirements, own accountability & lessons learnt from the dispute

3. Better retention of information/learning points
How ADR Contributes to Market Intermediaries

1. Risk Management Tool – made aware of gaps in:-
   • internal controls and policies
   • sales practices, disclosure & conduct
   • product development/design
   • use of technology

2. Reputation Management & Client Retention
   • Confidential process → allows issues to be addressed without ‘white noise’
   • Amicable resolution of issues → preserve relationship, contributes to investor confidence and participation
   • Valuable market intelligence on valid challenges faced by investors

3. Independent & impartial “voice of reason” in assessing complaints

Possible lapses
- Governance issues – conflict etc.
- Internal controls & policies
- Sales practices
- Disclosures
- Conduct

How ADR can build connectivity between conduct and investor education
Feed through and impact of findings from dispute resolution process translates into better quality disclosure policies from product development, product roll out, point of sale and after sale practices...
How ADR Feeds Through to Regulators

- Findings from case
- Practical insight from investors
- Practical insight from intermediaries

1. Support regulators supervisory and investor empowerment efforts
2. Contributes to market & self discipline
3. Provide insights on areas of concern that may be systemic in nature or emerging trends

Feeds into Investor Education strategy
- Identification of investor vulnerabilities
- Product or market process knowledge gaps
- Identification of necessary points of delivery of IE
Embedding Investor Education At Point Of Need

**Investment life cycle**

- **Product Development & Delivery**
- **Sales Practices /KYC Disclosures**
- **Disclosure Monitoring**
- **Update KYC**

**PRE SALE**
- Target Investor group
- Know-Your-Client (KYC) requirements
- Ensure Product Suitability
- Product & Risk Information Disclosure
- Advertising Guidelines
- Competency of Representatives
- Conflict Of Interest

**POINT OF SALE**
- Disclosure
- KYC & Product Suitability
- Sales Practices

**POST SALE**
- Continuous, timely Disclosures

An effective ADR body contributes to this process

**Connectivity of Conduct & Investor Education**
How dispute resolution helps the market as a whole

Dispute Resolution Process

INPUT PROVIDED contributes to MARKET

Overall market discipline through increased investor empowerment & confidence

Self discipline & internal controls of intermediaries

Investors

Investor education and empowerment efforts

Members

Communication of gaps in internal controls and conduct issues by intermediaries, positive impact of findings against the Member

Supporting regulator’s efforts in building an effective eco system, supervisory & education efforts through dispute resolution process

Periodic reporting requirement
Key Take-Aways

ADR with Mandate

Integral part of the investor empowerment ecosystem

- Provides effective, affordable and impartial expert redress avenue for investors
- Mandated ADR body provides valuable feed through to regulators, market intermediaries & investors
- Contributes to market and self-discipline
- Contributes to investor confidence and informed participation in the market

Effective delivery of investor education

- Delivered at point of need in the context of investor’s real-time experience
- As such, learning point better retained

Valuable part of market intermediary’s risk management tool kit

- Leverage on process as part of risk management tool kit
- Useful alert to intermediary and provides the ability to address and mitigate gaps highlighted - confidential environment provides space to do so without white noise
- Valuable intelligence on challenges to investors and of efficacy products and processes from investor’s perspective