



FOREX TRADING



Forex trading involves the buying and selling of global currencies in the forex market with the goal of making a profit on the currency's fluctuations.

Simply put, you buy a currency when you believe its value is going to appreciate (go up) against the other currency, or you sell a currency when you believe its value is going to decrease (go down) against the other currency.

When you exit the trade, the difference between the trade's entry and exit price determines your profit or loss.

Forex trading is a high-risk investment due to the high volatility of the Forex

HIGH RISK INVESTMENT

market, which is linked to everything that can impact the price of the currency you are trading. It's a high risk, as you can lose money if the markets go against you and if you do not employ risk management measures such as stop losses and etc. These losses can be substantial or even total.

It is therefore vital that one considers an investment into forex trading very carefully and that one receives appropriate advice from a registered



Financial Services Provider ('FSP'). South Africans can legally trade in the foreign exchange market through the Financial Sector Conduct Authority (FSCA) regulated forex broker. You should verify with the FSCA through their website whether the entity you are looking to invest in forex trading with is regulated in terms of the FAIS Act. This will mean that the entity has displayed the requisite skills and integrity to qualify for a licence.

There are many unregulated brokers looking to make money off unsuspecting and vulnerable clients, so do your due diligence on any entity offering you forex solutions, as you will only increase the risks involved by dealing with an unregulated entity.

SETTLEMENTS

K v C

The Office recognises that a settlement agreement entered into in order to resolve a complaint via a conciliation process is concluded on a confidential basis.

This manner of resolution is also much preferred by the Office whenever possible because it is an expeditious process, it does not expose the parties to legal costs and it lends itself towards the harmonious atmosphere required between consumers and financial services providers that can lead to the requisite confidence of consumers in the financial services industry. Further, some of the issues that arise give the Ombud an opportunity to highlight to the whole industry specific concerns that arise every now and again. As such, we may use certain details to highlight these issues but when we do, we will take every care not to share any information that may violate the privacy of the parties to the complaint.

In November 2019, the respondent's representative contacted the complainant with a proposal to trade in an upcoming IPO with any amount and make more profit than with any other company. The complainant accepted the proposal and

deposited R 45 000, the equivalent of \$3048. Once the money was reflected in the respondent's bank account, the respondent and its representative were unreachable.

The complainant then started trading on his own until he started losing money. That is when he sent an email to the respondent complaining about his situation, again without any response.

About a week after he began complaining, he noticed a bonus of \$500 in his trading account due to the losses he incurred since inception.

Then during December 2019, the complainant became convinced that someone from the respondent had manipulated the system to prevent him from making a profit.

The complainant immediately called the respondent and was informed that they were having

a 'system freezing', which eventually saw the complainant losing his remaining capital.

The complainant unsuccessfully lodged a complaint with the respondent and then approached this Office for assistance in respect of what he saw as a scam.

The matter was referred to the respondent in accordance with the Rules on Proceedings of this Office and requested to respond to the allegations raised by the complainant.

Upon receipt of this correspondence, the respondent undertook to duly refund the complainant his original investment of R45 000.

This was accepted by the complainant with the following feedback to this Office, "Thank you very much for your assistance in this matter, and I really appreciate how good your service has been so good to me. Stay blessed".

LESSONS LEARNED:

- 1. Forex trading is a high-risk investment that one must only undertake after serious consideration is given to the risks involved and one's current financial situation, and whether you are in a position to possibly lose the funds invested;*
- 2. Make sure that you are dealing with a regulated forex broker who has a license issued by the FSCA;*
- 3. Be wary of anyone who promises you a forex investment with astronomical investment returns and zero risk of losing your capital. If it's too good to be true, it normally is.*




Guaranteed Income and Capital Investment Plans

Many insurers have products usually referred to as 'Guaranteed Income or Guaranteed Capital Plans'. These plans are made up of two policies, an endowment policy that provides

Both options have their pros and cons and as always, the most suitable option would depend on the client's financial needs and circumstances at that time. The important aspect is that the Financial Services Provider ('FSP') must obtain all relevant and available information to ensure that a recommendation can be made that is appropriate to the client's needs and circumstances.

Lodging a complaint

Should you wish to register a new complaint please visit our Complaints Portal at www.faisombud.co.za and select 'Lodge Complaint'. Alternatively a Complaint Registration Form can be downloaded from this same site and once completed returned to info@faisombud.co.za.



a return of the capital invested after 5-year period and a temporary life annuity policy that provides a 5-year fixed monthly income.

Potential clients need to be wary of which option is best suited to their specific needs, and the Guaranteed Income Plan pays a specific income without guaranteeing the capital after five years. In this plan, the portfolio is invested in the markets with the hope that the maturity value either equals or exceeds the original capital after five years. In respect of the Guaranteed Capital Plan, whilst providing a lower monthly income, guarantees the capital at the end of the 5-year term.





SETTLEMENTS

S v S

The Office recognises that a settlement agreement entered into in order to resolve a complaint via a conciliation process is concluded on a confidential basis. This manner of resolution is also much preferred by the Office whenever possible because it is an expeditious process, it does not expose the parties to legal costs and it lends itself towards the harmonious atmosphere required between consumers and financial services providers that can lead to the requisite confidence of consumers in the financial services industry. Further, some of the issues that arise give the Ombud an opportunity to highlight to the whole industry specific concerns that arise every now and again. As such, we may use certain details to highlight these issues but when we do, we will take every care not to share any information that may violate the privacy of the parties to the complaint.

Complainant submitted that she and her husband had shopped around

with various banking institutions to determine which one offered the highest rate of return. The complainants had an available amount of R1000 000.00, which was the total of their life savings.

The complainant stated that their instruction to the respondent was that they wanted the capital protected and only interest earned should be paid to them on a monthly basis.

The reason for the complainants requiring a safe investment was that they had lost the bulk of their life savings in the 'failed Pickvest investment scheme'. The complainant further alleges that they would under no circumstances allow for income to be paid to them from their capital. (Complainant was 80 years old at the time) Complainant alleges they were told the investment would be split into two components, with one being an interest-bearing component from which a monthly interest

income would be paid into the complainant's account and that the other was an investment component where the funds would be invested to grow to the original capital amount invested. Complainants claimed that they were made to believe that the investment was secure for five years, yet, they only received R737 251.15, a loss of R262 748.85.

A meeting was held with the respondent, where they were advised to consider their stance with regards to their response concerning the complainant's claim.

The matter was referred to the respondent following the Rules on Proceedings of this Office, and there were a number of interactions with the respondent that culminated in a meeting in an attempt to resolve the matter. Subsequent to the meeting, the respondent conducted a reconstruction of the policy to determine what

position the complainants would have been in had the Guaranteed Investment Plan been recommended. The respondent then reverted to this Office and claimed that to place the complainants in the same position as what they would have been had a Guaranteed Investment Plan been provided; she will need to be reimbursed R56 558.27.

The respondent, therefore, offered this amount in settlement of the complaint.

This offer was not acceptable to the complainant, and this Office was in agreement that the only fair resolution would be to reimburse the complainant for the entire loss. The main reason was that the complainants had already suffered severe setbacks in the past and, as a result, had limited resources to provide for an income during retirement. In addition, the complainants were 80 years old at the inception of the policy, and this Office was of the view that the respondent had a duty to preserve the complainants' capital as they

were at a stage in their lives when capital losses could not be recovered.

In response, the respondent was of the view that as the complainants had received a higher income than they would have had they been provided with a Guaranteed Capital Plan and that any offer above their original offer would be tantamount to enrichment.

This Office acknowledged the respondent's concerns; however, this Office stressed that the very basis for the income received by the complainants was the inappropriate advice and the failure of the respondent's representative to make the required disclosures to have enabled the complainants to make an informed decision.

In addition, this Office was of the view that to focus solely on the 'additional' income received by the complainant without giving due consideration to the complainants' current reality, a reality that was brought about by its representatives' failure to adequately adhere to the General Code, was a little disingenuous.

The reality now for the complainants is that they have a reduced lump sum with which to provide an income to sustain their standard of living, meaning that they may need to either significantly reduce their standard of living or assume greater risk in the portfolios they now invest in, placing them in an even more precarious situation.

When one adds the effects of inflation since the investment incepted and going forward, and the additional pressure this will place on whatever income they can now hope to generate, one cannot possibly accuse the complainants of having been enriched by being placed in the position they would have been had she been placed in a position to make an informed decision.

After this correspondence, the respondent refunded the entire loss of R252 999.47 in full and final settlement of the complaint.



LESSONS LEARNED:

- 1. An FSP must ensure that any recommendation to a client in retirement must look to preserve the available capital. It is a reality that most individuals have not made sufficient provision for retirement, a situation that will only be compounded by a loss of capital.*
- 2. There are pros and cons to both the Guaranteed Income Plan and the Guaranteed Capital Investment Plan. The appropriateness of the two options to a prospective client must be based on a specific needs analysis to determine the most suitable option.*





under the baobab tree

In light of the ongoing COVID 19 pandemic, the Office of the FAIS Ombud has implemented measures to limit the spread of the virus in an effort to protect both employees and external stakeholders.

Our staff shall be working remotely and will therefore not always be available to take telephone calls. However, the Office of the FAIS Ombud remains committed to its mandate of resolving complaints ensuing from the provision of financial services

Should you wish to register a new complaint a Complaints Registration Form can be downloaded from this site. The completed form can then be sent to info@faisombud.co.za.

Please also be advised that new complaints can be submitted directly via our website at www.faisombud.co.za.

Should you require assistance in submitting a new complaint, wish to follow-up on an existing complaint or for any other general enquiry please contact us on the numbers provided below and your query shall be directed accordingly.

Should you have any other urgent enquiry that needs a written response, please contact us via-mail on enquiries@faisombud.co.za and one of our dedicated staff shall attend to your query. We apologise for any inconvenience caused during this period.

Phone: (012) 762 5000

Fax: (012) 348 3447

E-mail: info@faisombud.co.za

Website: www.faisombud.co.za



FAIS Ombud

Office of the Ombud for Financial Services Provide