

# BBD VIEW

# TRANSPARENT FEE STRUCTURES



By Ian Maas, BBD Senior Business Analyst

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## FSPs NEED CLEAN AND UNDERSTANDABLE PRICING

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**T**ransparent fee structures are the way forward, and little by little South African financial service providers (FSPs) are moving in that direction.

Simply put, transparency amounts to clarity around investors knowing how much they're paying, what they're paying for and what the impact will be on their returns. It's clean, understandable pricing.

Although South Africa still lags the rest of the world, transparency is being supported by the industry, who are promoting trust between the financial services industry and retail investors.

**“ A key factor in the 2008 financial crisis was people not understanding the risks of their investments. ”**

Transparency tackles this as it enables investors to understand the products/instruments and assets they're investing in, the risks involved and the effect fees have on their investment returns.

Despite the overall consolidation in fee structures, a big reason FSPs are avoiding being too transparent is because it costs money to implement and often full disclosure is not required by regulation. BBD believes that not only do FSPs need to disclose costs transparently and

correctly, they must accurately calculate these costs. That's the development effort and it's not easy to do.

The biggest problem is the lack of understanding on the investors' behalf. Even with long-term insurance and investment products often being sold together, there are discrepancies in the investors' knowledge. Investment products are generally quite well understood, but there is a lack of knowledge around the underlying instruments and the actual cost of the total investment. While investors are comfortable with long-term insurance products, the terminology used to present the fees is not that well understood. It's a conundrum that transparent fee structures can solve.

BBD's financial services industry experience incorporates insurance, investment and banking. Due to this combined knowledge of the industry, BBD has in-depth experience in understanding domains and either integrating solutions into the client's systems or creating new systems.

In this highly-regulated sector, the requirements for financial stability are crucial and need to be implemented. BBD's best value offering lies in knowing how to unpack what is required, with the right skills to develop and maintain a solution that facilitates the necessary regulations.

### About Ian Maas

Ian is a Senior Business Analyst, having joined BBD seven years ago. His key focus areas are the corporate and investment banking space, managing bespoke software projects and enterprise applications.

### About BBD

A provider of custom software development and application design solutions, BBD's 34 years of technical and developer expertise spans the banking, insurance, telecommunications, education and public sectors. Employing over 700 highly skilled, motivated and experienced IT professionals - BBD is South Africa's largest independent custom software development company.

