

## **CONFLICT OF INTEREST MANAGEMENT POLICY**

**NAME OF FSP: SA BROKERS INSURE CC**

**FSP NO: 47432**

**KEY INDIVIDUAL: MITCHELL BIGGAS**

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## **INTRODUCTION:**

Board Notice 58 of 2010 was introduced to regulate the management of conflict of interest in financial services providers and amended section 3 of the General Code of Conduct.

In effect provisions were introduced that required a financial services provider and/or a representative to avoid or where avoidance was not possible, mitigate, any conflict of interest between the provider and/or representative and the client.

Very simply a conflict of interest may be described as a situation where one's decision or recommendation risks being tainted by one's self interest.

In these instances the legislation requires that the financial services provider does one of two things- either avoid the conflict of interest or where it is unavoidable, mitigate and disclose the conflict of interest to your client.

It is now important for financial services providers to detect possible conflicts of interest and limit their impact on the client. It is important to always ensure that the client is not unduly prejudiced.

This policy deals with conflicts of interest between S A BROKERS INSURE CC, our employees, our respective product providers and our clients.

The aim of the policy is to make sure that we avoid or mitigate any conflict of interest situations that could negatively affect our clients. This policy is applicable to all our employees including permanent and temporary employees, representatives, our Key Individuals, and the members of S A BROKERS INSURE CC.

## **APPLICABLE DEFINITIONS IN RELATION TO THE CONFLICT OF MANAGEMENT POLICY OF SA BROKERS INSURE CC:**

**Conflict of interest:** any situation in which a provider or representative has an actual or potential interest that may, in rendering financial service to a client-

- (a) influence the objective performance of their obligation to the client or,
- (b) prevent the advisor from rendering an unbiased and fair service to the client, or
- (c) prevent the advisor from acting in the interest of the client,

Including but not limited to –

- 1. a financial interest
- 2. an ownership interest
- 3. any relationship with a third party

**Financial interest** is any:

- Cash
- Cash equivalent
- Voucher
- Gift
- Service
- Advantage
- Benefit
- Discount
- Foreign or domestic travel
- Hospitality
- Accommodation
- Sponsorship
- Any other incentive or valuable consideration

Other than:

- 1. an ownership interest or
- 2. training on:
  - 2.1 products and legal matters related to the products,
  - 2.2 general financial and industry information,
  - 2.3 specialised technological systems of a third party required for the rendering of a financial service (excluding costs of training and accommodation associated with the training)

**Ownership interest** is: (a) any equity or proprietary interest for which fair value was paid by the owner at time of acquisition ( other than equity or proprietary interest held as a nominee)  
(b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest

**Associate:** in the case of a company, as “any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.”

**A third party** is :

- A product supplier
- Another provider
- An associate of a product supplier or a provider
- A distribution channel
- Any person acting in terms of an agreement or arrangement with any of the above, provides a financial interest to a provider or its representatives.

**Immaterial financial interest** is any financial interest that has a determinable monetary value, the aggregate of which does not exceed R1000.00 in any calendar year, received from a particular third party by:

- A sole proprietor
- A representative for that representative's direct benefit
- A provider, for its benefit or for some or all of its representatives' benefit, aggregates the immaterial financial interest paid to its representatives.

## **MECHANISMS FOR THE IDENTIFICATION OF CONFLICTS OF INTEREST**

### **Section 3 A provides the guidelines on what financial interest may be received**

**A provider** or its representatives may only receive or offer the following financial interest from or to a third party:

- Commission and/or fees (reasonably commensurate to the services being rendered) authorised under the Long Term Insurance Act, the Short Term Insurance Act and the Medical Schemes Act
- Fees agreed to by the client in writing where the client has the discretion to stop payment
- Fees for the rendering of a service to a third party which are reasonably commensurate to the services being rendered
- Subject to any other law, an immaterial financial interest
- A financial interest not referred to above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the interest is paid by that provider or representative at the time of receipt thereof.

Where an interest is received, or stands to be received, other than the instances set out above and outside the scope and definition of an immaterial financial interest, then a potential conflict of interest arises.

The following procedure is to be followed:

#### **1: identify if there is a conflict/ identify if you are serving the client's best interests**

Consider the following before providing financial services to the client:

- \* Are my interests and those of S A BROKERS INSURE CC concurrent with the client's needs?
- \* Am I acting independently, objectively and professionally towards my client?
- \* Am I acting in the client's best interest, or in someone else's?

If you have an actual or potential interest that may prevent you from acting fairly, independently and objectively, you may not be acting in the client's interest. It is then required that MITCHELL BIGGAS conduct an assessment of the conflict.

#### **2: assess and manage the conflict**

MITCHELL BIGGAS will conduct an assessment and evaluation of the conflict of interest and its impact. A decision must then be made on what steps to take in terms of avoidance or mitigation.

The assessment and evaluation process includes a query regarding:

- whether it is possible to avoid the conflict by ending it. If it is possible to end the conflict situation record what action has been taken to do so (in Conflicts register)
- if conflict cannot be avoided, the reasons why the conflict cannot be avoided, and
- steps taken to mitigate the effects of the conflict of interest on the client, and
- how the mitigation measures will reduce the effects of the conflict on the client, and
- method and content of disclosure to the client

IDENTIFY THE CONFLICT OF INTEREST



ESCALATE TO KEY INDIVIDUAL  
FOR IMPACT ASSESSMENT



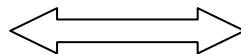
LOG IN MASTER CONFLICTS  
REGISTER



KI TO CONDUCT IMPACT ASSESSMENT  
  
ASSESS CONFLICT FOR MATERIALITY  
(FINANCIAL INTEREST CRITERIA AS PER DEFINITIONS)



KI MAKES A DECISION AS TO MATERIALITY



**PROCEED**



IMPLEMENT MITIGATION  
MEASURES AND DISCLOSE TO  
CLIENT IN WRITING



LOG REASON FOR ACCEPTANCE &  
MITIGATION MEASURES IN  
MASTER CONFLICTS REGISTER



MONITOR ON AN ONGOING BASIS

**AVOID**



RECORD REASON FOR  
AVOIDANCE IN CONFLICTS  
REGISTER

## **MEASURES FOR AVOIDANCE OF CONFLICT OF INTEREST**

1. The Key Individual, MITCHELL BIGGAS, will conduct an assessment of the conflict.
2. After the impact assessment indicates that a conflict cannot be avoided, either-
  - 2.1 Appoint/allocate another representative to provide services to the client
  - 2.2 Decline services to the clientCommunicate the above in writing to the client within 30 days clearly stating reasons for your actions.
3. With respect to representatives, MITCHELL BIGGAS, is to ensure that, in addition to the provisions of the conflict of interest management policy, compliance procedure and processes relating to the advice giving process are scrutinised on an ongoing basis and at least every second month when he has to report formally to the Compliance Officer.

This will serve to ensure that :

- quality of advice giving meets with the documented compliance processes and that production targets do not interfere with the quality of advice furnished.
- Where the representative has a choice of product providers/products from a specific product provider, a recommendation is made that does not prejudice the client.

## **MEASURES FOR MITIGATION OF CONFLICT OF INTEREST AND DISCLOSURE TO CLIENT**

Inform client in writing within 30 days of the following:

- Circumstances giving rise to/reasons for conflict of interest
- Measures/steps taken to mitigate the risk to client
- Existence of the conflict of interest management policy and the client's right of access to the policy
- Details of how/where the policy on conflict of interest management may be accessed

## **PROCESSES, PROCEDURES AND INTERNAL CONTROLS FOR COMPLIANCE**

All staff are to have access to this conflict of interest management policy and are to receive training on the procedure to be followed in the event of a conflict of interest arising. All training is to be recorded in the relevant training register.

In the event of a potential conflict arising, MITCHELL BIGGAS is to ensure commencement of the investigation and impact assessment process.

All relevant entries are to be documented in the respective registers viz. the Master Conflicts Register and the Immaterial Financial Interests Register.

Annual refresher training is to be implemented. Where applicable, the conflict of interest management policy is included in the training manual provided for all staff and all new staff members are to have training on conflict of interest management.

MITCHELL BIGGAS is to monitor the conflict of interest management policy on an ongoing basis, report to the Compliance Officer every two months and conduct an annual review of the policy. A report will be submitted annually by the Compliance Officer regarding the implementation, monitoring and compliance of the conflict of interest management policy. Reporting will also cover ease of accessibility of the conflict of interest management policy.



## **CONSEQUENCES OF NON-COMPLIANCE**

Due to the stringent reporting requirements, all applicable penalties including fines and suspension of the financial services provider's licence may be applied for non-compliance.

## **FINANCIAL INTEREST / INCENTIVES AS APPLICABLE TO REPRESENTATIVES**

The amendments provide as follows with respect to representatives:

A provider may not offer a financial interest to a representative of the provider for

- Giving preference to the quantity of business secured for the provider to the exclusion of the quality of service rendered to the client
- Giving preference to a specific product supplier where a representative may recommend more than one product supplier to the client
- Giving preference to a specific product of the product supplier where the representative may recommend more than one product of that product supplier to the client

At S A BROKERS INSURE CC we undertake to monitor all advice giving processes stringently so as to ensure that the high standard of service offered to clients is maintained. MITCHELL BIGGAS is responsible for monitoring of all compliance and advice giving processes on an ongoing basis and is required to report to the Compliance Officer every second month.

We undertake to monitor all submissions to ensure that no specific product provider and or specific product of a particular provider is given undue and unwarranted preference over another product/product provider.

## REGISTER OF ASSOCIATES

[illegible]

## REGISTER OF THIRD PARTIES WITH AN INTEREST IN THE PROVIDER

[illegible]

## REGISTER OF THIRD PARTIES IN WHOM THE PROVIDER HOLDS AN OWNERSHIP INTEREST

[illegible]

# MASTER CONFLICTS REGISTER

[illegible]

## IMMATERIAL FINANCIAL INTERESTS REGISTER

[illegible]

## TRAINING REGISTER

[illegible]

## RECORD OF ANNUAL REVIEW

[illegible]