



# SCOTTFIN

INSURANCE BROKERS

## **CONFLICT OF INTEREST MANAGEMENT POLICY**

Scottfin Insurance Brokers (Pty) Ltd

FSP 3468

February 2017

Scottfin Insurance Brokers (Pty) Ltd  
An Authorised Financial Services Provider FSP Licence No.3468  
Directors: J G Baikie Snr, J G Baikie Jnr  
Reg No 2013/236837/07

[www.scottfin.com](http://www.scottfin.com)

## **PURPOSE:**

The Management of Scottfin Insurance Brokers sees the Company as a firm of expert practitioners operating in short term and long term (funeral) insurance, as a professional advice giving Company. Therefore, the Company's actions must be open to scrutiny by clients, potential clients and in some cases, members of the public.

Consequently, there has to exist a duty of loyalty and fidelity by Management and staff who have the responsibility of administering the Company's affairs honestly and prudently, and of exercising their best care; skill and judgement for the sole benefit of clients. Those persons must exercise the utmost good faith in all transactions involved in their duties and they must not use their positions within the Company or knowledge gained therefrom for their personal gain. The interests of the Company and its clients must be the first priority in all decisions and actions.

### **1. Statutory definitions of COI**

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

- (a) influence the objective performance of his, her or its obligations to that client; or
- (b) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client,

Including, but not limited to –

- (i) a financial interest;
- (ii) an ownership interest;
- (iii) any relationship with a third party

In respect of all employees, possible conflicts could include:

1. An employee owning shares or holding debt or other proprietary interests in any third party or associated company.
2. Holding office, serving on the Board, participating in Management, or being otherwise employed (or formally employed) with any third party or associated company.
3. An employee receiving remuneration of any type whether commission or otherwise for services from another person or company.
4. An employee using our Company's time, personnel, equipment, supplies, or goodwill for purposes other than approved activities, programs and purposes.
5. An employee receiving gifts for birthdays and other special occasions.
6. An employee receiving money, vouchers or anything that can be converted to money from any other person or company for 'selling' specific services or products whether in pursuance of the employee's occupation or otherwise.
7. An employee being invited to lunches/dinner/shows and other entertainment events.
8. An employee receiving or accepting special travel or holiday facilities at discounted prices or as an award for providing leads or business to another company.
9. An employee providing leads to businesses owned by family and friends, whether for reward or otherwise.
10. An employee distributing products and/or services provided by businesses owned by family and friends for reward or otherwise.

11. Any activity involving clients by which family and friends can financially benefit.
12. An employee receiving personal gifts or loans from any other companies or persons dealing or competing with our company.

Receipt of any gift is disallowed except gifts of a value less than R200 which could not be refused without discourtesy and do not exceed R1000 in any one calendar year. No personal gift of money is allowed under any circumstances.

In respect of our Company as Provider, possible conflicts could include:

1. Our own Company owning shares or holding debt or other proprietary interests in any third party or associated company.
2. A third party company owning shares in our Company.
3. Our Company earning/receiving more than the regulated commission whether arising from additional services provided to the client or the supplier or otherwise.
4. Our Company making payment to another FSP or third party which enables that FSP to earn more than the regulated commission.
5. Arranging agency contracts with selected Insurers.
6. Methods of employee remuneration.

The fact that one of the interests described above exists does not necessarily mean that a conflict exists, or that the conflict; if it exists, is material enough to be of practical importance, or if material, that upon full disclosure of all relevant facts and circumstances it is necessarily adverse to the Company's interests or interests of the clients.

**"Financial interest"** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than:-

- (a) An ownership interest;
- (b) Training, that is not exclusively available to a selected group of providers or representatives, on –
  - (i) Products and legal matters relating to those matters
  - (ii) General financial and industry information
  - (iii) Specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.

**"Immaterial financial interest"** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party;

**"third party"** means a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel and any other person who in terms of an agreement provides a financial interest to a provider or its representatives.

## 2. **Policy Statement**

We are committed to complying with the regulatory requirements governing Conflict of Interest under the FAIS General Code of Conduct and ensuring that conflicts of interest are appropriately managed in the best interests of our partners, customers and policyholders. **This policy was formally adopted by the Directors of Scottfin.**

### **3. The Management of Conflicts of Interest (COI)**

#### **Mechanisms for the identification of COI**

Before we conclude new business arrangements we shall consider whether the proposed arrangement will present any potential conflict of interest. It will be the responsibility of each representative entering into the relationship on behalf of ourselves to ensure that this identification process is carried out and appropriately documented before the relationship with an Insurer is progressed.

All Representatives will be accountable to ensure that the necessary reviews of all existing business arrangements are conducted at least annually to assess the ongoing conflict of interest in the light of changing circumstances, operational processes and procedures that may have been implemented since the commencement of the business.

#### **Measures for the avoidance and mitigation of identified COI**

Whenever any potential conflict of interest is identified, the Representative responsible for the relationship will consider whether any practical means exist for avoiding such conflict of interest. Where this is not practical, the Representative will consult with the Company's Compliance Officer to devise appropriate and adequate measures to mitigate and manage the identified conflict of interest.

The resulting mitigating and managing measures will be documented and communicated to all staff involved in managing the relationship to ensure that the risk of the identified conflict of interest is appropriately managed by the affected business unit.

#### **Measures for the disclosure of COI**

Wherever potential conflict of interest is identified, the Company or Representative concerned will ensure that appropriate communication regarding the following aspects is included in the disclosure information and documentation provided to potential customers purchasing products:

- The existence of the conflict of interest;
- A description of what the conflict is;
- It's impact;
- The measures taken to mitigate and manage it; and
- The customer's free choice whether he wishes to continue with purchasing the product.

#### **Processes, procedures and internal controls to facilitate compliance**

Representatives will be required to ensure that the policy is implemented with their clients and the Company's Compliance Officer and will on an annual basis warrant to their Compliance Officer in writing that they have met their obligations under this policy and describe the steps taken to do so.

Training for all affected staff will be provided by the Company or people procured by the Company to ensure that they understand their responsibilities under this policy.

The Compliance Officer will monitor compliance with this conflict of interest management policy and will perform the necessary reviews in consultation with Executive Management to ensure that appropriate procedures and processes are in place and effective to comply with the policy.

The Compliance Officer will facilitate a review of this policy annually to ensure that it remains relevant and appropriate to meet the statutory requirements.

**4. Financial interests offered to our Representatives**

No sales incentives are offered to Representatives for preferring one product over another that may be offered to a customer.

**5. Financial interests offered by ourselves to Third Parties**

We may only offer the following financial interests to third parties being Product providers or other Financial Service Providers:

- Commission authorized under the Short Term Insurance Acts
- Fees that are reasonably in line with the Short Term Insurance Acts
- Commission authorized under the Long Term Insurance Acts
- Fees that are reasonably in line with the Long Term Insurance Acts
- Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees –
  - (a) Are specifically disclosed to a client; and
  - (b) May be stopped at the discretion of that client;
- Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably in line with the service being rendered
- Any immaterial financial interest as defined in the FAIS General Code of Conduct; and
- Any other financial interest, for which consideration that is reasonably in line with the value of the financial interest, is paid by that provider or representative at the time of receipt thereof

**6. List of our Associates**

None.

**7. Third Parties in which we hold an ownership interest**

We do not hold ownership interests in any third parties.

**8. Third Parties who hold an ownership interest in Ourselves**

There are no third parties who hold an ownership interest in Scottfin.

**9. Consequences of non-compliance with this policy**

Failure to comply with the provisions of this policy by any staff member or FAIS representative shall constitute serious misconduct and will result in disciplinary action being initiated against such staff member or representative.