Conflict of Interest Policy

Exceptional service is what gives us The Edge!
1. PURPOSE AND SCOPE

The purpose of this policy is to outline a suitable approach and response to the identification and management of any conflict of interest. This policy forms part of the Code of Ethics, Conduct and Compliance and should be read and understood in conjunction with said Code.

This policy is intended to comply with the procedures prescribed in the Financial Services Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives published in Notice 80 of 2003, as amended by Notice 43 of 2008.

Customer Loyalty Consultants is a Financial Services Provider, and is regulated by the Financial Advisory and Intermediary Services (FAIS) Act. The purpose of this policy is to comply with the procedures described in Board Notice 58 of 2010.

2. DEFINITIONS

“CLC” Customer Loyalty Consultants

“Conflict of Interest” Any circumstance described in CONFLICT OF INTEREST as defined in section 3 of this policy.

“FSP” Financial Services Provider authorised in terms of the Financial Services and Intermediary Act 2002 [Customer Loyalty Consultants]

“Responsible Person” A key individual, representative or employee of CLC.

“Financial Interest” A financial interest includes cash, cash equivalent, voucher, gift, services, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, or other incentive, or valuable consideration other than:
   a) an ownership interest
   b) training by a product supplier on products, general industry information and technical systems, that is not exclusively available to a selected group of providers or representatives except for travel and accommodation associated with that training.

“Ownership Interest” a) an equity ownership interest, for which fair value was paid by the owner, other than equity or ownership interest held by an approved nominee on behalf of another person; and
   b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

“Immaterial Financial Interest” Any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 (one thousand rand) in any calendar year from the same third party in that calendar year received by
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a) a provider, who is a sole proprietor;
b) a representative for that representative’s direct benefit;
c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

"Third Party"
a) a product supplier;
b) another FSP;
c) an associate of a product supplier or a FSP;
d) a distribution channel;
e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d)above provides a financial interest to a provider or its representatives.

"Distribution Channel"
a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement, any support or service is provided to the provider or providers in rendering a financial service to a client;
b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;
c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

"Associate"
a) in relation to a natural person, means –
   i) a person who is recognized in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
   ii) a child of that person, including a stepchild, adopted child and a child born out of marriage;
   iii) a parent or stepparent of that person;
   iv) a person in respect of which that person is recognized in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first-mentioned person;
   v) a person who is the permanent life partner or spouse or civil union partner of a person referred to in subparagraphs (ii) to (iv);
   vi) a person who is in a commercial partnership with that person.
b) in relation to a juristic person, means –
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i) which is a company, means 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;

ii) which is a close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;

iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person-
   aa) had such first-mentioned juristic person been a company; or
   bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;

iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;

c) in relation to any person –
   i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
   ii) includes any trust controlled or administered by that person.
3. CONFLICT OF INTEREST DEFINED

Conflict of interest can be described as circumstances where some or all of the interests of clients to whom a financial services provider or product supplier provides financial services or products, are inconsistent with, or diverge from, some or all of the interests of CLC, its representatives or the product supplier.

It should be understood that the conflicting interest referred to throughout this policy may be direct or indirect (the interest might be that of the Responsible Person, that of another person such as a relative or friend of the Responsible Person, or that of an organization in which the Responsible Person or such other person has an interest).

It is not possible to enumerate all situations which could constitute a conflict. The facts of each situation will determine whether the interest in question is such as to bring it within the area of potential conflict.

Such facts would include the amount of business involved, the extent to which the Responsible Person could influence CLC’s decisions with respect to the transaction, and whether the interest is of such a nature that it might affect the objectivity or the business judgement of the Responsible Person.

In determining whether a conflict is involved, there is no substitute for sound judgement based upon the particular facts involved in each case.

4. PROCEDURES FOR MANAGEMENT OF CONFLICT OF INTEREST

4.1. IDENTIFICATION

CLC offers financial services in the form of short-term insurance products and services.

Given the nature of the business, conflict of interest are inherent to the business of CLC in that it, or its related parties, conducts activities of development of short-term insurance products and services.

To adequately manage conflicts of interest, CLC must identify all relevant conflicts timeously. CLC employ two different mechanisms to ensure that all conflicts are identified:

a) Compliance maintains a register of identified conflicts of interest. The register is compiled in conjunction with the board of CLC, and updated with all new conflicts as soon as they are identified. The register is reviewed on an annual basis for completeness. The register identifies the conflict, the severity of the conflict and documented controls to mitigate the conflict.

b) All employees, including compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify their manager or compliance officer of any conflicts they become aware of. The manager will escalate the conflict to the compliance officer, who will assess the implications of the conflict and how the conflict should be managed.
4.2. MANAGING CONFLICT OF INTEREST

Once a conflict has been identified it needs to be appropriately and adequately managed. Compliance assesses each conflict, whether the conflict is actual or perceived, what the extent of the conflict or exposure is and the potential reputational risk. Compliance and management decide whether it is viable to go ahead with the transaction, or if the conflict is too severe, decline to act. If Compliance and management decides that the particular conflict can be mitigated, they need to agree on the controls that need to be put in place to manage the conflict. The controls have to be documented in the Conflict of Interest Register.

4.3. SPECIFIC CONFIRMATIONS

CLC hereby confirms that it will only receive financial interest from a third party in the form of:

a) fees for rendering a financial service in respect of which no commission or fees are paid, if those fees are specifically agreed to by the client;
b) fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;
c) subject to any other law, an immaterial financial interest.

CLC hereby confirms that it will not offer any financial interest to a Responsible Person for:

a) giving preference to the quantity of business secured, to the exclusion of the quality of service rendered to clients;
b) giving preference to a specific product supplier where more than one product supplier may be recommended to a client;
c) giving preference to a specific product of a product supplier, where more than one product of that product supplier may be recommended to a client.

4.4. MITIGATING CONTROLS

CLC has various internal policies and controls in place to manage and mitigate possible conflict of interests:

a) Disclosure of Conflicts
   i) A provider or a representative will, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client. The disclosure must include:
      aa) measures taken, in accordance with the conflict of interest management policy to avoid or mitigate the conflict;
      bb) any ownership interest or financial interest, other than an immaterial financial interest, that the provider or representative may become eligible for;
      cc) the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable a client to understand the exact nature of the relationship or arrangement and the conflict of interest;
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and

b) Conflict of Interest Register
Open for viewing on request. The register identifies all conflicts as well as the mitigating controls put in place to manage the conflict. The register is updated when a conflict becomes apparent, but reviewed at least on an annual basis.

c) Personal Interest Register
Documenting the business interests of a responsible person to the extent that such business interest might cause an actual or perceived conflict of interest.

d) The R1000 Rule (Annexure A & B)
CLC is not allowed to spend on, or receive an ‘immaterial financial interest’ of more than R1000 (one thousand rand) per year.

e) Gift Register (Annexure C)
Documenting all financial interests and immaterial financial interests offered to or received by a Responsible Person.

f) Comprehensive Training
To be provided on the Conflict of Interest Policy by the internal Compliance Officer on an annual basis.

g) Informed Employees
All employees and representatives are required to read this policy and sign a statement to the effect that they have read and fully understand the provisions of the document and the application thereof.

h) Internal and External Compliance Officer
Will on an ad hoc basis check on financial records to ensure the policy is being complied with, specifically checking the accuracy of the Gift Register.

Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable and any avoidance, limitation or circumvention of this policy will be deemed non-compliance.
ANNEXURE A: PRACTICAL GUIDE

1. The R1000 – Rule

CLC is not allowed to spend on, or receive an ‘inmaterial financial interest’ of more than R1000 (one thousand rand) per year.

This includes, but is not limited to:

a) Meals
b) Golf days
c) Gifts, e.g. wine
d) Tickets for rugby or cricket matches
e) Hunting trips

Note that the R1 000 (one thousand rand) limit applies per Representative, and not per FSP or Product Supplier.

Example: A FSP called ABC Insurance has 500 representatives on its licence. CLC may spend R1 000 (one thousand rand) per year in “inmaterial financial interest” on each individual representative of ABC Insurance. You may not aggregate this amount across the ABC, and spend say R3 000 (three thousand rand) on some representatives, and average the amount out by not spending any money on other representatives. Similarly, representatives from CLC may not receive more than R1 000 (one thousand rand) worth of gifts, hospitality, meals etc. from another FSP or Product Supplier in a calendar year.
ANNEXURE B: EMPLOYEE DECLARATION: IMMATURAL FINANCIAL INTEREST (R1000 RULE)

I, ..........................................................................................................................................(full name and surname of Responsible Person), hereby confirm that I have not accepted any financial interest exceeding a monetary value of R1,000 in the last calendar year from any one product supplier or from any other third party, as defined in the General Code of Conduct.

I hereby confirm the following:
1. I understand that the receipt of any financial interest can give rise to a conflict of interest that may be prejudicial to CLC;
2. I fully understand that I must disclose the receipt of any financial interests to the management of the CLC who will evaluate the nature of the financial interest and decide on a course of action which may include the return of the reward to the sender;
3. I understand that the failure to follow the above conflicts procedures could compromise the integrity and reputation of CLC.

I acknowledge that I understand the above declaration and realise that failure to comply with the relevant internal procedures could after due process, lead to disciplinary steps and possibly, the termination of my employment and/ or debarment.

Signed at ........................................................................…………. on ...............................................................

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Signature  ............................................................................................
ANNEXURE C: EMPLOYEE DECLARATION: RECEIPT OF GIFTS AND CONFLICT OF INTEREST POLICY OF CLC

I, ................................................................................................................................. (full name and surname of Responsible Person), hereby confirm that I have been made aware of the policy of CLC with respect to the receipt of gifts and any other financial interests.

I hereby confirm the following:

1. I understand that the receipt of any financial interest, material or otherwise, can give rise to a conflict of interest that may be prejudicial to CLC;
2. I fully understand that I must disclose the receipt of any financial interests to the management of CLC who will evaluate the nature of the interest/s and decide on a course of action which may include the return of the reward to the sender;
3. I understand that the failure to follow the above conflict procedures could compromise the integrity and reputation of CLC.

I acknowledge that I understand the above declaration and realise that failure to comply with the relevant internal procedures could after due process, lead to disciplinary steps and possibly, the termination of my employment and or debarment.

Signed at .............................................................................. on .........................................................

20 ...........

Signature ........................................................................................