

# Conflict of Interest Policy Manual

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FSP Name: Tradesure Underwriting

Specialists (Pty) Ltd

FSP Number: 17607

Date: 2012

## 1. PURPOSE AND SCOPE

The purpose of this Conflict of Interest Policy is to outline a suitable approach and response to the identification and management of conflicts of interest. This policy is intended to comply with the procedures prescribed in Financial Services Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives published in Board Notice 80 of 2003, as amended by Board Notice 43 of 2008.

All applicable FSP's are financial services providers, and regulated by the Financial Advisory and Intermediary Services Act, 37 of 2002 (FAIS Act). The purpose of this policy is to comply with the procedures described in Board Notice 58 of 2010.

## 2. DEFINITIONS

### **"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 wedlock;
  - 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 –
  - 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
    - (1) had such first-mentioned juristic person been a company; or
    - (2) in the case where that other juristic person, also, 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 or members of, or in the case where such juristic person is not a company or close corporation, 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 members, or in the case where such juristic person is not a company or close corporation, 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.

**“Client”**

A specific person or group of persons, excluding the general public, who is or may become subject to a financial service rendered intentionally by the FSP’s

**“Conflict of interest”** 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 services to that client, or from acting in the interests of the client, including but not limited to:
  - i) A financial interest
  - ii) An ownership interest
  - iii) Any relationship with a third party

**“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.

**“Financial Interest”**

A financial interest includes cash, a cash equivalent, voucher, gift, services, 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 products;
  - ii) general financial and industry information
  - iii) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.

**“FSP”**

Financial Services Provider authorised in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002.

**“Immaterial Financial Interest”**

Any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year, received by:

- 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.

**“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.

**“Product Supplier”**

Any person or juristic person who issues a financial product by virtue of an authority, approval or right granted to such person or juristic person under any law.

**“Product Provider”**

An authorised FSP registered as such with the FSB.

**“Responsible Person”**

A key individual, representative or employee of a Product Supplier or FSP.

**“Third Party”**

- a) a Product Supplier;
- b) another Provider;
- 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 service to a Provider or its Representatives.

### 3. Objectives

Tradesure Underwriting Specialists is an authorised financial services provider. Like any financial services provider, Tradesure Underwriting Specialists is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients' interests is our primary concern and so our policy sets out how:

- We identify the circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients' interests;
- We have established appropriate structures and systems of control to manage those conflicts; and how
- We will maintain systems in an effort to prevent damage to our clients' interests through identified conflicts of interest.

### 4. Conflict of Interest

Tradesure Underwriting Specialists strives towards ensuring it is able to appropriately and effectively identify and manage potential conflicts. It may manage potential conflicts through avoidance, establishing confidentiality barriers and by providing appropriate disclosure of the conflict to affected clients.

In determining whether there is or may be a conflict of interest to which the policy applies, PMD considers whether there is a material risk of damage to the client, taking into account whether Tradesure Underwriting Specialists or a Tradesure Underwriting Specialists representative, associate or employee

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service. Our policy defines possible conflicts of interest as, inter alia:
- conflicts of interest between Tradesure Underwriting Specialists and the client;
- conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client;
- holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients

## 5. Management

Specific monetary measures Tradesure Underwriting Specialists focuses on include:

- the fact that it only receives commissions authorised in terms of applicable legislation; and if applicable, fees which are disclosed to the client; and
- Tradesure Underwriting Specialists does not offer any financial interest to any representative or employee for -
  - giving preference to the quantity of business secured for the provider to the exclusion of quality service;
  - giving preference to a specific product supplier where more than one supplier can be recommended to a client;
  - giving preference to a specific product of a supplier where more than one product of that supplier can be recommended
- the General Code of Conduct also prescribes that you should disclose to a client the fact that you hold 10% or more shares in a product supplier and whether you received more than 30% of your remuneration from one product supplier over a 12 months period.
- the compliance report poses the question whether you sell financial products of only one product supplier.

The measures Tradesure Underwriting Specialists has adopted to manage identified conflicts are further summarized below. We consider them appropriate to our efforts to take reasonable care that, in relation to each identified potential conflict of interest, we act impartially to avoid a material risk of harming clients' interests:

- **Procedures:** We have adopted appropriate procedures throughout our business to manage potential conflicts of interest. Our representatives, associates and employees receive guidance and training in these procedures and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with our conflict of interest policy.
- **Confidentiality Barriers:** Our representatives, associates and employees respect the confidentiality of client information and disclose or use it with circumspect. No such information may be disclosed to a third party without the written consent of a client.
- **Monitoring:** The Key Individual or Compliance Officer in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed annually.
- **Disclosure:** Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned.

In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. To date no such circumstances have arisen.

- Publication: We will publish our conflict of interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times.
- Report: The provider, compliance officer or key individual will include a report on the conflict of interest management policy in the annual compliance report submitted to the Registrar.
- Declining to Act: We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

## 6. Particular Management Measures

- Identification of conflict of interest:
  - Create awareness and knowledge of applicable stipulations of the General Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material;
- Avoidance of conflict of interest:
  - ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates;
  - do regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance;
  - keep a register of conflict of interest - at present none have been identified.

## 7. Consequences of Non-compliance with the Policy

In the event of non-compliance with the abovementioned terms of the Policy, in addition to any civil or criminal consequences, employees and representatives will be subject to appropriate disciplinary action.