



SAVANNAH MARINE CONFLICT OF INTEREST POLICY

1. The General Code of Conduct

The General Code of Conduct contains various provisions which are indicative of the relevance of conflicts of interest and fair treatment of clients.

Section 3(1)(b) stipulates that –

“When a provider renders a financial service the provider must disclose to the client the existence of any personal interest in the relevant service, or of any circumstance which gives rise to an actual or potential conflict of interest in relation to such service and take all reasonable steps to ensure fair treatment of the client.”

Section 3(1)(c) stipulates that –

“non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest.”

Section 7(1)(c)(vi) stipulates that –

“.... a provider must in particular, at the earliest reasonable opportunity, provide, where applicable, full, and appropriate information of the following:

the nature, extent and frequency of any incentive, remuneration, consideration which will or may become payable to the provider, directly or indirectly, by any product supplier or any person other than the client, or for which the provider may become eligible, as a result of rendering of the financial service”

Section 7(1)(d) stipulates that –

“the service must be rendered in accordance with the contractual relationship and with due regard to the interests of the client which must be accorded appropriate priority over any interests of the provider.”

Section 7(1)(f) stipulates that –

“the provider must not deal in any financial product, for own benefit, account or interest where the dealing is based upon advanced knowledge.... which would be expected to affect the prices of such product.”

Other –

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-month period.

The compliance report poses the question whether you sell financial products of only one product supplier.

The 2008 compliance report requires a provider to attach the conflict-of-interest policy document to the report.

2. FSB discussion paper

In January 2007, the FSB released a discussion paper on conflict of interest and transparent disclosure.

The paper gives the following background to the matter:

The General Code of Conduct for Authorized Financial Services Providers and their Representatives, 2003, currently requires financial services providers and their representatives to disclose to the client the existence of actual or potential conflicts of interest. However, there does not appear to be a common understanding of which indirect benefits need to be disclosed, or how disclosure is to be carried out. Currently there are not efficient conflict management policies in place within financial institutions. The absence of conflict management policies and a generic understanding of what conflict of interest is and the impact on a providers' behaviour can lead to unfair treatment of consumers and the rendering of inappropriate financial services by providers. Disclosure of direct and indirect benefits is generally not made in a consistent or transparent manner across the industry. This has resulted in the perception that non-cash incentives and other benefits are not being disclosed, or where they are disclosed, such disclosure is vague and inadequate. This is damaging to the public's perception of the integrity of the financial services industry.

It is strongly advised that you study the contents of this discussion paper to form an idea of the manner in which the regulator and industry approach the matter.

3. Conflict of interest

A conflict of interest involves the actual, apparent or potential abuse of the trust that people have in professionals. The simplest working definition states: A conflict of interest is a situation in which financial or other personal considerations have the potential to compromise or bias professional judgment and objectivity. An apparent conflict of interest is one in which a reasonable person would think that the professional's judgment is likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest. It is important to note that a conflict of interest exists whether or not decisions are affected by a personal interest. A conflict of interest implies only the potential for bias, not the likelihood.

4. Disclosure

The actual or potential existence of a conflict of interest may, in itself, not be a wrongdoing or undesirable practice. It is, however, imperative to properly disclose the nature and monetary value, if determinable, of such conflict to a client. Such disclosure can be made prior to rendering of financial services or in the record of advice and should preferably be recorded in a register kept by the provider. Full disclosure allows a potential client to decide whether, in the client's view, a conflict situation may indeed be biasing advice and the client will therefore be better equipped to assess whether the advice given is being unduly influenced.

5. Conflict of interest policy

A provider should have a documented policy on conflict of interest stipulating the objectives and processes in managing conflict of interest. All providers, key individuals, representatives, and administrative personnel should commit to such policy and the processes should be monitored on an ongoing basis.

The provider should keep and maintain a register in which all actual or potential conflicts are recorded.

Below is an example of how you can structure a policy document and register. Keep in mind that no specific format is required and that you can adapt and amend the example to suit your own circumstances.

POLICY ON CONFLICT OF INTEREST

FSP name: SAVANNAH MARINE CC

FSP number: 16936

1. Introduction

In terms of the Financial Advisory and Intermediary Services Act, 2002, **Savannah Marine** is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest. **Savannah Marine** has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients. The key information is summarised below. Detailed information can be obtained on request from the key individual who is responsible to monitor and manage conflicts of interest on behalf of **Savannah Marine**.

2. Our objectives

Savannah Marine is an authorized financial services provider, providing to its client's advice and intermediary services on short-term insurance. Like any financial services provider, **Savannah Marine** 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 will identify 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 to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients' interests through identified conflicts.

3. Conflict of interest

Savannah Marine strives towards ensuring it is able to identify and manage potential conflicts appropriately and effectively. It may manage potential conflicts through avoidance, establishing confidentiality barriers or 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, **Savannah Marine** considers whether there is a material risk of damage to the client, taking into account whether **Savannah Marine** or a **Savannah Marine** 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 or group of clients 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 standard commission or fee for that service.

Our policy defines possible conflicts of interest as:

- conflicts of interest between **Savannah Marine** and the client.
- conflicts of interest between our clients if we are acting for different clients and the different interest's conflict materially.
- holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients.

4. Management

The measures **Savannah Marine** have adopted to manage identified conflicts are 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 interests. Our mandataries and employees receive guidance and training in these procedures, and they are subject to monitoring and review processes.

- Confidentiality barriers:

Our mandataries 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 in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters.

- Inducements:

Inducements from third parties in relation to a service provided to clients are acceptable to **Savannah Marine** only if they are appropriately disclosed to clients and if it is either the payment of a normal fee or commission to continue the quality of our services to clients and does not impair our duty to act in the best interest of clients.

- Gifts:

Savannah Marine employees will not accept any gifts other than those considered normal in their line of business. Excessive gifts from clients may result in a conflict of interest, which we are committed to avoiding.

- 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 will 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.

- 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.