

CONFLICT OF INTEREST MANAGEMENT POLICY

Reviewed: 10 July 2020

INTRODUCTION/BACKGROUND

In terms of the Financial Advisory and Intermediary Services Act, 2002, JVC Insurance Brokers is required to maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.

Section 3A(2)(a) of the General Code of Conduct stipulates that every provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act. The policy is to provide for mechanisms in place at JVC Insurance Brokers to identify, mitigate and manage the conflicts of interest to which the JVC Insurance Brokers is a party.

This Conflict of Interest Management Policy is designed as prescribed in 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. We have put in place a policy to safeguard our clients' interests and ensure their fair treatment. The key information is summarized below.

Detailed information can be obtained on request from the key individual who is responsible for monitoring and managing conflicts of interest on behalf of JVC Insurance Brokers.

OBJECTIVES

JVC Insurance Brokers is an authorized Financial Services Provider, providing to its clients' advice and intermediary services on products for which JVC Insurance Brokers is licensed. Like any other Financial Services Provider, we are potentially exposed to conflicts of interest in relation to various activities.

This Conflict of Interest Management Policy does not change our existing conflict of management procedures but intends to document them in simple form as required by the Financial Services Board.

In terms of the Financial Advisory and Intermediary Services Act, 2002, JVC Insurance Brokers is required to maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflict of interest. JVC Insurance Brokers has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients.

All providers, key individuals, representatives, associates and administrative personnel will commit to such policy and the processes will be monitored on an ongoing basis.

JVC Insurance Brokers keeps and maintains a register in which all actual or potential conflicts are recorded.

MISSION STATEMENT ON CONFLICT OF INTEREST

JVC Insurance Brokers is committed to ensuring that all business is conducted in accordance with good business practice. To this end JVC Insurance Brokers conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimize and manage all real and potential conflicts of interests. Like any financial services provider, JVC Insurance Brokers 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 conflict of interest.

CONFLICT OF INTEREST

Definitions

JVC Insurance Brokers 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 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, we consider whether there is a material risk of damage to the client, taking into account whether JVC Insurance Brokers or an 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;
- Perceives a conflict of interest between our clients if we are acting for different clients and the different interests conflict materially;
- Hold confidential information on clients, which, if disclosed or used incorrectly, would affect the advice or services provided to clients.
- May decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

A **conflict of interest** may occur when in rendering a financial service to you we do not act objectively or do not render an unbiased or fair service to you or do not act in your interests, including but not limited to:

- a) A financial interest
- b) An ownership interest
- c) Any relationship with a third party.

A financial interest:

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) 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. Specialized technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

An ownership interest:

- i. Any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee;
- ii. Includes any dividend, profit share or similar benefit derived from such interest.

Fair value:

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

WHAT MAY WE GIVE AND RECEIVE

We confirm that we will only receive financial interest from the aforesaid providers in the form of:

- i. Commission authorized under the Long-term Insurance Act, 52 of 1998;
- ii. Commission authorized under the Short-term Insurance Act, 53 of 1998;
- iii. Commission authorized under the Medical Schemes Act, 131 of 1998;
- iv. Fees under the aforesaid acts if these fees are reasonably commensurate to the service being rendered;
- v. Fees for rendering a financial service in respect of which no commission or fees are paid as aforesaid, if those fees are specifically agreed to by you in writing and may be stopped at your discretion;
- vi. Fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;
- vii. Subject to any other law, an immaterial financial interest;
- viii. A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid at the time of receipt thereof.

REMUNERATION POLICY

Our remuneration policy is described in the contact stage disclosure letter.

PROCESSES AND INTERNAL CONTROLS

Procedures

Whenever we render a financial service, we must disclose the existence of any personal interest in the relevant services or any circumstances, which give rise to an actual or potential conflict of interest in relation to such service and take all responsible steps to ensure fair treatment of the client.

Disclosure will take the form of a specific disclosure of any personal interest in a specific service as well as a general disclosure regarding non-cash incentives in the Fop's contact stage disclosure letter, as well as the maintenance of a register of non-cash incentives. JVC Insurance Brokers maintains an Index of potential conflict risks, taking into consideration all business areas and income streams. The index is updated with all new conflicts identified, and to ensure completeness is reviewed on an annual basis.

Identification of Conflict of Interest

To adequately manage conflicts of interest we must identify all relevant conflicts timeously. In determining whether there is or may be a conflict of interest to which the policy applies, JVC Insurance Brokers considers whether there is a material risk of damage to the client, taking into account whether JVC Insurance Brokers or its 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.

Monitoring

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of.

This policy will be reviewed annually, and must be included in your annual FSB compliance report, containing details "...on at least the implementation, monitoring and compliance with, and the accessibility of the conflict of interest management policy."

The Key Individual will assess the implications of the conflict and how the conflict should be managed and act impartially to avoid a material risk of harming clients' interests.

POSSIBLE CIRCUMSTANCES OF POTENTIAL CONFLICT

Our policy defines possible conflicts of interest as, *inter alia*:

Personal interest includes:

- ☐ Instances where the FSP sells the product of a smaller product provider company in which the FSP has a financial interest for example is a shareholder in the company.
- ☐ Instances where the interest is other than a reasonable amount of commission.
- ☐ Instances where the FSP partakes in some sort of profit share with the product provider company.

JVC Insurance Brokers has none of the above instances.

Favouring insurers

We have various partnerships with a number of insurers/product providers. These could be viewed as a conflict of interest in that it is easier to place clients' business within these partnerships. We therefore place the insured's risk with the product provider that offers the best possible cover at the best price.

Scheme quotations are often more competitive than should the client insure directly with the company in question. This is one of the checks we have in place to mitigate the conflict of interest in this respect.

Confidentiality barriers

Our mandatories 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.

Gifts

Our employees do not accept any gifts other than those considered normal in their line of business. There are no excessive gifts received from clients and staff does not accept any incentives or kickbacks from insurers or service providers. Our register of non-cash incentives itemizes any gifts, lunches, golf days or other small incentives and this register is monitored.

The details of any non-cash incentives offered and /or indirect consideration paid to us by any other FSP, a product supplier or any other person will be recorded in the non-cash incentives register. The register will be available on the premises should a client wish to obtain further details.

We do not receive any large incentives such as overseas trips, seminars or holidays.

We are not offered and do not accept any prizes or incentives to reach a certain sales target for any products.

We have standard commission rates as mentioned in our various agreements and these are all industry related.

Inducements from third parties in relation to a service provided to clients are acceptable to JVC Insurance Brokers 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.

MEASUREMENT FOR AVOIDANCE AND MITIGATION OF CONFLICT OF INTERESTS

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.

Ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates.

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.

Once a conflict of interest has been identified it needs to be appropriately and adequately managed.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict.

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.

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. All staff are aware of and kept updated on our policy on conflict of interest.

Our company policy and philosophy is that our clients come first and foremost and our intention is to build lasting relationships through the provision of superior, fair and equitable practices.

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.

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.

Training And Staff

All employees and representatives are required to read Board Notice 58 of 2010 as well as this policy and to sign a statement to the effect that they have done so and fully understand the provisions of both documents and the application thereof.

Comprehensive training on the Conflict of Interest policy will be provided to all employees and representatives as part of general FAIS training or specifically.

Training will be incorporated as part of all new appointees' induction and refresher training provided on an annual basis.

The Key Individual will conduct ad hoc checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his general monitoring duties and will report thereon in the annual compliance report.

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.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

This policy shall be reviewed annually and updated if applicable.

Representative Incentives

We confirm we will not offer any financial interest to our key individuals or representatives for:

- i. Favours quantity of business over quality of service; or
- ii. Giving preference to a specific product supplier where more than one supplier can be recommended to a client; or
- iii. Giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

Registers:

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, we confirm that we do not have an ownership interest or are subject to exclusive training nor are there any other circumstances, which could lead to a potential conflict of interest. Should any conflicts arise with regard to any of these prior to entering into any business transaction with you we undertake to disclose these in the registers below.

JVC Insurance Brokers has implemented the registers below:

1. Nature and Extent of Ownership interests
2. Financial Interest Received
3. Nature and Extent of Business Relationships
4. Associations