

# CONFLICT OF INTEREST



Presentation to the 26<sup>th</sup> Marine Insurance Forum on 6 May 2011

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# FROM THE FSB....

## “What was the intention of BN58 of 2010?”

- “The intention with amendments was to ensure better management of conflict of interest
- Due to the inherent non-compliance culture in South Africa it was felt necessary to in addition to management responsibility to manage conflict of interest also prohibit certain financial interests
- Not to interfere with employee – employer relationship of FSPs and their representatives but to put guidelines in place to ensure conflict of interest management
- Ensure companies avoid conflict of interest and as provided for in section 3 of the GCC act in the best interest of their client with due care and diligence”



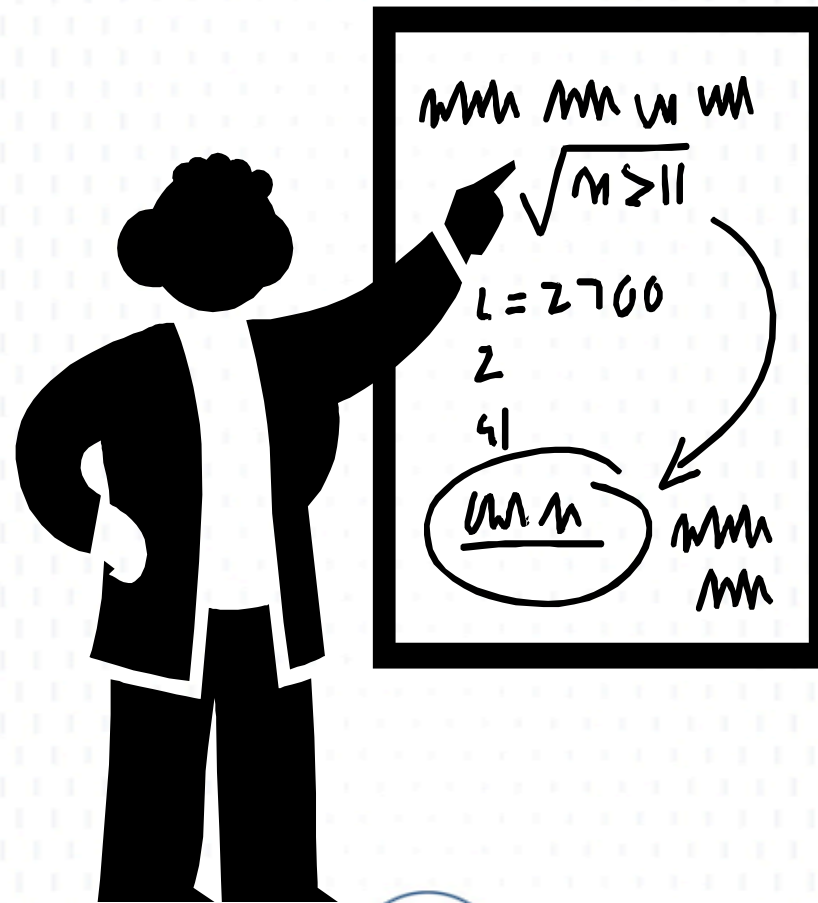
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# ANOTHER OFFICIAL RESPONSE...

**‘ “No doubt there are other important things in life beside conflict, but there are not many other things so inevitably interesting....”  
~ Robert’**



# BN 58 OF 2010 IN PLAIN, SIMPLE LANGUAGE



# WHAT CONSTITUTES COI?

A

An individual's private interest differs from his/her professional obligations to an organisation

B

When the professional decisions made by the individual, in providing a financial service to a client, are questionable.

When such conflict situations occur, we are not acting in the best interest of our clients or our organisation and we should be held accountable



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# DISSECTING THE “COI” DEFINITION

- Any situation that might influence the ‘objective performance’/ rendering an unbiased service
- “Any situation” includes (but not limited to):
  - (i) a financial interest,
  - (ii) ownership interest or
  - (iii) any relationship with a third party
- When the incentive provided to a provider or representative influences the decision in such a way that a biased decision is made (irrespective of whether such a decision negatively or positively impacts on the consumer)



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# DISSECTING “FINANCIAL INTEREST”

- Means any financial benefit, which includes an ownership interest
- Anything that could cloud the professional image of the industry
- Except for training that covers the following:
  - *Products and legal matters relating to products*
  - *General financial & industry information*
  - *Specialised technology systems of 3<sup>rd</sup> party necessary for the rendering of a financial service*
- BUT: training is only allowed if not discriminatory AND training provided exclusive of travel & accommodation costs



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# IMMATERIAL FINANCIAL INTEREST ??



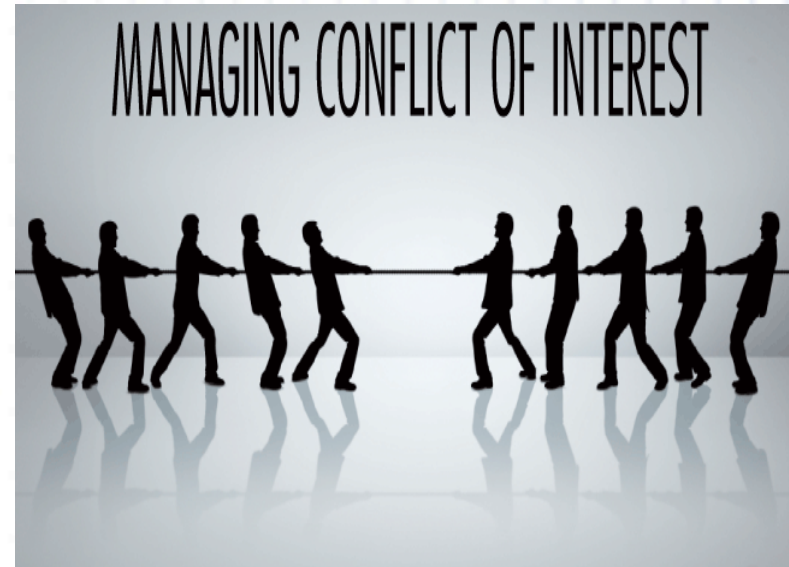
Any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000



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# COI COMPLIANCE

- Avoid conflict of interest
- COI management policy
- Change disclosure documentation
- Implement controls to ensure compliance with prohibitions on COI policy
- No preference for quantity of business
- Buy-in from top management is key



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# COI POLICY

- COI Policy must have been adopted by the board or sole proprietor and made publicly available
- Must clearly state not only what constitutes a COI; and
- how to disclose any potential COI situations; but
- also how to avoid – by only paying regulated commissions and reasonable fees as per outsource contracts
- Disclose all ownership interests
- Written in easily understood language
- Compliance Officer must monitor policy



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