

What do we deem to be a Conflict of Interest?

The Financial Advisory & Intermediary Services (FAIS) Act gives us the foundation for our policy. It defines a conflict as

“any situation in which a Provider or a Representative has an actual or a 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 service to that client, or from acting in the interests of that client

Including but not limited to

- (i) a financial interest
- (ii) an ownership interest
- (iii) any relationship with a third party.

Where can these potential conflict situations arise within our business?

1. With insurers with whom there is a business/ownership relationship
2. With other FSPs with whom there is a business/ownership relationship
3. With other distribution channels with whom there is a business/ownership relationship
4. With any other persons with whom there is a business/ownership relationship
5. With any service providers with whom there is a business/ownership relationship
6. With our employees as a result of employment contracts and/or remuneration policies
7. With any other relevant relationship that may exist within our company.

To whom does this policy apply?

This policy is deemed to apply to all employees, which includes

1. Directors
2. Managers
3. Permanent members of staff
4. Contract and/or temporary staff

whether they be employed in the financial services sector or not.

We assess conflict situations in our business as follows?

We have a management tool that assists in documenting the various relationships and arrangements that we currently have in place, whether or not these create a conflict or potential conflict. If they do then a decision has been taken as to whether these are to be avoided or mitigated and the decision recorded accordingly. These sections are reviewed as part of the ongoing monitoring process followed by our external compliance officer and forms the basis of an ongoing reporting strategy to ourselves

and, should the need arise, to the Financial Services Board, the ultimate authority governing the financial services sector.

To assess what conflict situations we had we firstly identified all the situations that may have led to a conflict. This was an initial once off exercise but our compliance policy is such that these key indicators are reviewed at least annually and also before any new relationship is entered into because a new relationship may well demand avoidance, steps in mitigation or further disclosures.

The situations that we analysed include:

1. What associate company relationships do we or our staff has?

i.e. companies with whom there is a relationship based on common shareholding, management control or family (in its widest context) members are involved and subsidiary of holding company status.

2. What third party relationships do us or our staff has?

These include

- (i) Product suppliers (insurers) including any of their associates;
- (ii) Other FSPs including any of their associates;
- (iii) Distribution channels;
- (iv) Any other person who in terms of an agreement or arrangement with any of these provides a financial interest is due to us or one of our representatives e.g. panel beaters, assessors, security companies.

3. Was there any ownership interest within these relationships? If so could this create a conflict of interest?

4. Was there any financial interest paid from or to the entities within these relationships? If so could this create a conflict of interest?

5. Was there any immaterial financial interest paid from or to the entities within these relationships? If so are we monitoring the frequency and extent?

6. What are our staff remuneration policies?

The process allowed us to assess all our relationships including those of our staff and including financial aspects, and to document these fully. The data collected was then reviewed to see if a potential conflict had been identified and how best to deal with this. The options open to us included:

- (i) Avoidance – take away the situation that creates the conflict;
- (ii) Mitigation – put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impact;

- (iii) Disclosure – formally provide details of the situations that are there and what has been done if anything about these to reduce or eliminate the situation itself.

Any solution we have established could be a combination of all three: avoid some, mitigate others and disclose what we have done and will continue to do so.

Our general strategy was where possible to avoid such conflicts i.e. prevent them by physically removing the conflict situation.

Where we could not avoid the conflict situation, actual or potential, it needed to be mitigated i.e. we had to put controls in place to reduce the likelihood of a conflict arising.

Where disclosure of conflicts, including potential ones, involved clients the standard adopted demands a higher level of formality. It demands formal disclosure at the earliest possible opportunity which is deemed to be when providing you with the initial advice/quote.

Our disclosures are clear, concise and effective, in our opinion, and we constantly strive to ensure that we are achieving this lofty ideal.

Our disclosures include

- (i) What conflicts we have;
- (ii) What measures we have taken to avoid or mitigate these;
- (iii) Ownership interests that may become due to us – this includes shareholding, dividends, profit shares and similar payments. This includes ownership of and payments from associated companies that can include administrators, cell captives and insurers;
- (iv) Financial interests (these are things we actually pay for that are made available by other FSPs or insurers as part of the relationships that exist) that may become due. These include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives;
- (v) Details of the relationships and/or arrangements that exist that create the potential conflict;
- (vi) How to obtain our conflict of Interest Management Policy.

What are the results of this process and its ongoing monitoring?

We have summarized the results in 3 specific annexures namely

- (i) Management policy summary of our conflict situations and actions taken;
- (ii) A listing of all associated companies;
- (iii) A listing of all third party companies with whom there is an ownership interest by ourselves and/or staff.

How do we ensure this policy is understood and adhered to by all role players?

1. This policy has been developed in conjunction with and formally approved by our management. Adherence to and breaches of this policy are a standing item on the board agenda.
2. This policy is published within the company and is readily available to all staff, clients and other interested parties.

3. All staff has been provided with a copy of this policy and has been given awareness training by our compliance department/compliance officer.
4. Compliance with this policy is an integral part of our employment contract and subject to review at least annually. Breaches of the policy are seen as an issue subject to the company's procedures.
5. All staff complete and update annually a Conflict of Interest Questionnaire.
6. All management and staff sign a formal declaration relating to the understanding of an agreement to adhere to this policy.
7. Our compliance programme ensures a constant review of our standards which includes an obligation to report non-compliance to the authorities if corrective action is not taken.

Annexure 1 – Summary of our conflict situations and actions taken.

1. With Insurers with whom there is a business/ownership relationship.

We are paid a fee by Insurers to do the admin on their behalf.

More than 30% of our commission is received from Safire Insurance.

2. With other FSPs with whom there is a business/ownership relationship

All business we underwrite is sourced from licensed FSPs.

No FSP from whom we source business has any ownership interest in Astra Brokers and neither do we have any ownership interest in them.

We receive commission and fees i.r.o. policies placed with insurers. No other payments are received from any FSP.

Business practice immaterial financial interest is provided to and received from FSPs from time to time.

3. With other distribution channels with whom there is a business/ownership relationship.

We have no relationship with any other distribution channel other than those mentioned in 2 above.

4. With any other person with whom there is a business/ownership relationship.

There is no information to disclose under this heading.

5. With any service providers with whom there is a business/ownership relationship.

As part of normal business practice we utilize the services of various third party service providers such as loss adjusters, premium collection companies, attorneys, accountants, IT companies.

Contracts/service level agreements are entered into with all such service providers whom we remunerate or who are remunerated on the basis of services rendered.

6. With our employees as a result of employment contracts and/or remuneration policies.

No employee is remunerated solely on the basis of the volume of business produced, although this is one of the factors taken into consideration when salaries are reviewed annually. The company has adequate procedures in place to ensure that business is not written for volume rather than quality.

7. With any other relevant relationship that may exist within our company.

Annexure 2

Details of all associated companies

Nil.

Annexure 3 – A listing of all third party companies with whom there is an ownership interest by ourselves and/or staff.

Possible other conflicts identified?	Do we see this as a potential conflict?	If yes what have we done about it?	Controls in place?
Staff receiving gifts, vouchers and the like.	YES	We have instituted specific controls to monitor these activities and have included full disclosure of the possibility of payments, gifts and the like as well as the limits applicable in our standard disclosure documentation supplied to clients.	All gifts and hospitality received by the FSP are recorded at morning meetings and monitored on an on-going basis to ensure that no provider supplies anything in excess of R1000 in any one calendar year.
Staff entertained by associate or third party companies.			All gifts and hospitality provided to a FSP are recorded at morning meetings and monitored on an on-going basis to ensure that no representative of a provider receives anything in excess of R1000 in any one calendar year from us.
Staff providing gifts, vouchers and the like to clients, third parties or associated companies.			
Staff entertaining associate and third party companies.			