

# Conflict of interest management policy

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## 1. EXECUTIVE SUMMARY

The South African regulator (the Financial Services Board) published rules in an amendment to the General Code of Conduct of the Financial Advisory and Intermediaries Services Act, No 37 of 2002 (FAIS) for the management of conflict of interests. Insurers have a responsibility to ensure that they improve the quality of the financial services that are rendered to clients and that no situation is allowed where a provider or a representative has an actual or potential interest, which will influence the objective performance when giving financial service to a client.

The FAIS Code of Conduct for Authorised Financial Services Providers (FSP) and Representatives stipulates that Momentum Short Term Insurance (“MSTI”) may not offer or receive a financial interest – which includes for example cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration - to or from another FSP or third party as defined in the Code.

Conflict of Interest should be avoided and if not possible mitigated in which case such conflict must be disclosed to the client. Immaterial financial interests (as defined in the Code) are not disclosed but captured and monitored in a central register.

We also have to ensure that staff members who are on a Pay for Performance (“PFP”) remuneration system are closely monitored to ensure that quality is not sacrificed due to focus on quantity performance measurements.

This conflict of interest policy for MSTI, provides measures to identify, manage and avoid existing and potential conflicts of interests within the MSTI environment, and sets out the roles and responsibilities of the relevant parties in this regard.

## 2. DEFINITIONS

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 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.
Financial Interest	Means any cash, cash equivalent, voucher, gift, service, 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.
Immaterial financial interest	Means any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1000 in any calendar

	<p>year from the same third party and in that calendar year received by –</p> <p>a) a provider who is a sole proprietor; or</p> <p>b) a representative for that representative's direct benefit;</p> <p>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.</p>
Third party	<p>Means –</p> <p>a) a product supplier</p> <p>b) another provider</p> <p>c) an associate of a product supplier or a provider</p> <p>d) a distribution channel</p> <p>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 interest to a provider or its representatives.</p>

### 3. POLICY AIM AND SCOPE

#### 3.1. Purpose

The objective of this policy is to provide a framework with regard to the avoidance and management of conflicts of interest in MSTI, in order to:

- ensure that the MSTI business practices are in line with our commitment to provide quality service and to avoid any situation in which MSTI has an actual or potential interest that may, while rendering a financial service to a client, -
  1. influence the objective performance of its obligations to that client; or
  2. prevent itself from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to –
    - a financial interest,
    - an ownership interest, or
    - any relationship with a third party.
- ensure compliance with regulatory requirements of the FAIS Act and its subordinate legislation.
- avoid legal liability and reputational risk arising from conflicts of interest.

#### 3.2. Scope

This policy applies to MSTI, Financial Services Provider 22789, and all its representatives. It applies to any situation where a conflict of interest or a potential conflict of interest exists in the rendering of financial services to clients.

With regards to the MSTI representative, the following applies with regards to financial interest;

A provider may not offer any financial interest to a representative of that provider for-

- i. Giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients; or
- ii. Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- iii. Giving preference to a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client.

This policy is also applicable to MSTI as a provider and its relationship with a third party.

The FAIS Code of Conduct for Authorised Financial Services Providers states that;

A provider or its representatives may only receive or offer the following financial interest from or to a third party;

- i. Commission authorised under the Long Term Insurance Act, 1998 (Act No. 52 of 1998) or the Short Term Insurance Act, 1998 (Act No. 131 of 1998)
- ii. Commission authorised under the Medical Schemes Act, 1998 (Act No. 131 of 1998)
- iii. Fees authorised under the Long Term Insurance Act, 1998 (Act No. 52 of 1998), the Short Term Insurance Act, 1998 (Act No. 131 of 1998) or the Medical Schemes Act, 1998 (Act No. 131 of 1998), if those fees are reasonably commensurate to a service being rendered;
- iv. Fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (i), (ii), (iii) is not paid, if those fees
  - a) are specifically agreed to by a client in writing; and
  - b) may be stopped at the discretion of that client
- v. Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered;
- vi. Subject to any other law, an immaterial financial interest; and
- vii. A financial interest, not referred to under subparagraph (i) to (iv), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

### 3.3. Approach

The management and avoidance of all potential conflicts of interest is a requirement in terms of the General Code of Conduct for authorised financial services providers and representatives.<sup>1</sup> It is further good business practice as it avoids legal liability and reputational risk. MSTI is therefore required to ensure that all existing and potential conflicts of interest are properly managed if allowed to exist or altogether avoided or mitigated if possible.

The risk of conflicts of interest not being properly managed and controlled is, amongst others, that investors and customers may not be adequately protected, confidence in our services could be undermined and legal claims may be instituted.

It is important to note that the definition of conflicts of interest for the purpose of this policy only relates to the definition and provisions set in the General Code of Conduct to the Financial Advisory and Intermediaries Services Act.

Over-reliance on disclosure, without adequate consideration as to how conflicts may appropriately be

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<sup>1</sup> Board Notice 80 of 2003 as amended by Notice 58 GG 33133 19 April 2010.

managed, is not sufficient.



### 3.4. Availability

This approved document is available on the Momentum website. ([www.momentum.co.za](http://www.momentum.co.za))

## 4. POLICY GOVERNANCE

### 4.1. Policy Governance Structure

This policy is in line with the Momentum Short-term Insurance governance structure and the Compliance Officer coordinates the drafting and maintenance of the policy.

### 4.2. Approval and Ownership

The policy is approved by the MSTI Board of Directors. The ownership of this policy is vested in the MSTI Executive Committee (hereinafter referred to as MSTI EXCO).

### 4.3. Implementation

Management of the operational areas are responsible for the implementation of the policy in their respective areas. Compliance will facilitate and monitor the implementation of the policy.

### 4.4. Management Process

Operational areas and Support functions are responsible for implementation of the procedures within their respective area to comply with this policy. Any inconsistencies with this policy or the underlying procedure must be approved by the Compliance Officer.

This policy and the record of the kinds of services and activities undertaken by the operational areas which might give rise to a potential conflict of interest must be retained for at least five years, together with any changes to those documents.

The compliance function will monitor and oversee the COI Management Process.

It is the responsibility of management to ensure that all employees immediately disclose any financial interest provided to and/or received from financial service providers, associates or third parties. Compliance will maintain a register of the financial interests provided or received

### 4.5. Roles and Responsibilities

#### 4.5.1. Heads and Management of Operational Areas or Support Functions:

- Implement appropriate procedures to identify all conflicts of interest, real or perceived that arise or may arise.
- Manage conflicts of interest by appropriate measures and ongoing communication to and training of staff members.
- Maintain and operate effective organisational and administrative arrangements and take all reasonable steps to prevent or mitigate conflicts of interests from giving rise to a material risk of damage to the interests of its clients.
- Prevent non-compliance with relevant regulatory requirements and protect the reputation of MSTI, by implementing appropriate procedures to manage, avoid or mitigate conflicts of interest that consider and protect the interests of all parties.
- Establish, maintain and regularly update a record of the kinds of services and activities

undertaken by the business which might give rise to a conflict of interest. This record must be updated at least annually and must document the reasons for the determination. The record should also be updated where there are significant changes to the nature of services and activities undertaken, the structure of the business and new product launches.

- Make disclosure of the nature of a conflict to a client before undertaking business for the client in cases where the measures to manage conflicts are not considered sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented. This disclosure must be made in an appropriate medium and in sufficient detail to enable the client to make an informed decision about the relevant service or product.
- The senior management of each department and/or business is responsible for determining which conflicts are likely to result in a material risk of damage or detriment to a client's interests.
- Senior management should liaise with Compliance officer where procedures or practices are changed or implemented with a view to obtain input or guidance around possible compliance challenges.
- Capture and update details of financial interests in a central register.

#### 4.5.2. Compliance Department:

- Establish a procedure to identify, manage and avoid conflicts of interest;
- Provide relevant input and guidance to the operational areas or support functions;
- Review adherence to this policy and report all breaches to the appropriate level in terms of the governance structure.
- Monitor and ensure that financial interest registers are maintained.
- Submit an annual Compliance report.

### 4.6. Policy Review

The policy is subject to annual review and approval by MSTI Board of Directors. Any proposed interim changes must be approved by the MSTI EXCO after recommendation from Compliance.

### 4.7. Monitoring, Reporting and Disclosure

Compliance, Heads and Management of all Operational Areas and Support functions are responsible for monitoring compliance with the policy within their specific area. Compliance findings are reported as detailed in 4.8 below.

### 4.8. Actions for Non-Compliance

The actions for non-compliance with this policy will be governed by Compliance with the understanding that the appropriate action will be taken by the Operational areas and Support functions.

Any breaches in the requirements of this policy will be recorded in the compliance breakdown register and reported to the MSTI EXCO. Material breaches will be escalated to the Board of Directors.

Significant instances of non-compliance may result in disciplinary action against the parties concerned and may further result in debarment of any representatives concerned.

### 4.9. Related Policies

The Conflict of Interest Policy must be read in conjunction with the following policies:

- Employment Contract
- The Company Values

## 5. PROVISIONS OF THE POLICY

### 5.1. Effective Arrangements

The organisational and administrative arrangements to manage conflicts must be designed to ensure that, when undertaking activities that involve a potential conflict of interest, relevant persons carry out those activities at an appropriate level of independence. Controls should be put in place to ensure the requisite level of independence and should include, as a minimum and where relevant, the following:

- Effective procedures to prevent or control the exchange of information where that exchange of information may harm the interests of one or more clients;
- Separate supervision of relevant persons whose principle functions involve activities that might give rise to a conflict of interest;
- The removal of any direct link between the remuneration of different groups of relevant persons where there is an underlying conflict between the activities of those groups;
- Measures to prevent or limit any person from exercising inappropriate influence over relevant persons;
- Prevention or control measures where relevant persons are involved simultaneously or sequentially in separate services or activities where such involvement could impair the management of conflicts of interest; and
- Involvement of senior management and the utilisation of reporting and management information (“MI”) as deemed appropriate for each business.
- It is Compliance’s responsibility to:
  - o Implement appropriate procedures which enable all conflicts of interest, real or perceived, to be identified;
  - o Provide guidance to manage conflicts by appropriate avoidance or mitigating measures such as separation of functions, information barriers and escalation and exit procedures;
  - o Prevent legal liability or regulatory breach and protect the reputation of MSTI by avoiding, mitigating or managing conflicts, appropriate procedures to consider and protect the interests of all parties.
  - o Adopt procedures, controls and measures that can be used to manage conflicts of interest as set out in the MSTI Conflict of Interest Policy.

### 5.2. Mechanisms for the identification of Conflict of Interests

- Meetings between the Compliance Department, Operational areas and Support functions to review procedures, processes and business relationships;
- MI reports which will identify inconsistencies and exceptions;
- Quality Assurance audits can identify trends of actual or potential conflict of interests;
- Feedback and complaints from clients or other stakeholders;
- Fraud line;
- The MSTI Gift Register;
- Exceptions in PFP Remuneration System;

### 5.3. Measures for the avoidance of Conflict of Interest

- Alignment of all current business practices; procedures and relationships with the General Code of Conduct;
- Training and maintenance of awareness levels of regulatory requirements;
- User authorisation which determines the access and functionality available to each person on the operational system.
- Segregation of duties and responsibilities between various Operational areas and Support functions
- Culture of Compliance and Company Values with specific reference to Accountability, Excellence and Integrity;

- Internal Audit and the Quality Assurance department perform regular audits to verify that business procedures and processes are followed. The findings may identify potential or actual conflicts of interest and is always communicated to management;
- It is mandatory for all employees to declare any business interest on a quarterly basis.
- The provisions of the MSTI Gift Register

#### **5.4. Measures for the disclosure of Conflicts of Interest**

- Scripting on the operational system will ensure that all call centre staff make all mandatory disclosures.
- Statutory written disclosures are issued as standard procedure and are system generated on the operational system.

#### **5.5. Consequences of non-compliance by employees and representatives**

- Material breaches may lead to disciplinary action and/or debarment;
- If a breach of this policy is identified corrective measures will be taken, which can include, but is not limited to, further communication to client;
- Include all material breaches in the compliance breakdown register;
- Report breaches to MSTI Executive Committee;
- Reviewing of current procedures, processes and controls if regular breaches are identified.

#### **5.6. Type and basis on which a representative will qualify for a financial interest**

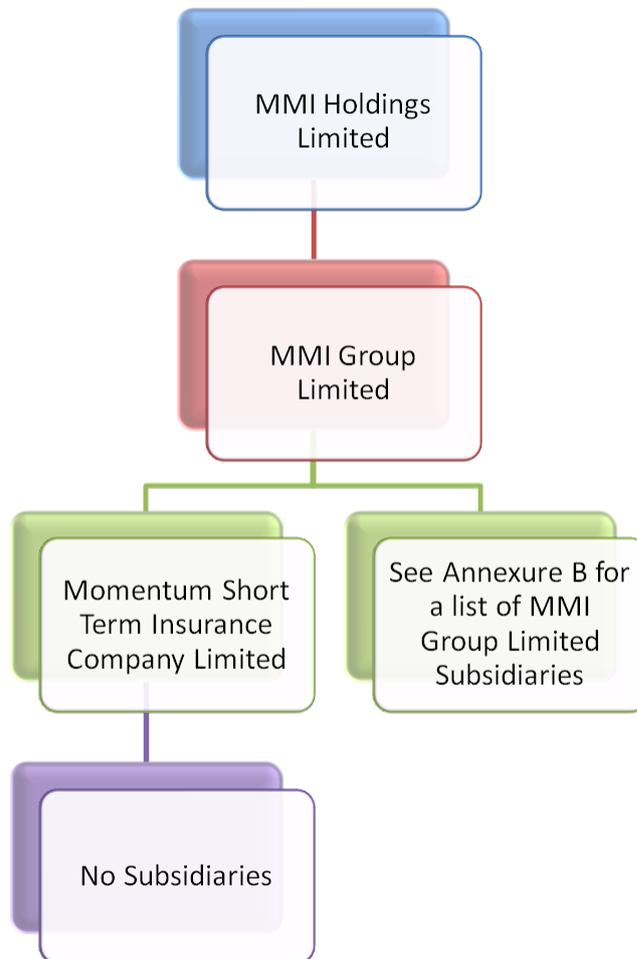
- PFP :
  - Call centre staff work on PFP which measures both quality and quantity of work.
  - Mandatory monthly audits are done by team managers to prevent PFP manipulation and to ensure quality.
  - Quality Assurance department performs various audits to ensure that staff adheres to all procedures and provide proper advice.
- Incentives:
  - Incentive winners are announced every 6 months based on their performance.
  - PFP records and the work performed by top performers are audited by Quality Assurance prior to the announcement of winners in order to ensure that there is no manipulation or non-compliance with correct procedures.
- Ad hoc Competitions:
  - Management offers various prizes to motivate staff and to ensure focus on specific performance improvement areas.
  - These competitions do not influence the quality expected from staff members and is also audited.

### **6. STAFF ACKNOWLEDGEMENT**

Heads and Management of each Operational area and Support functions must ensure that all staff knows about this policy and must institute processes to re-confirm this annually.

Annexure "A"

**Group Structure**



## **Annexure “B”**

### **List of subsidiaries MMI Group Limited**

1	102 Rivonia Road (Pty) Limited
2	129 Rivonia Road (Pty) Limited (previously 2 Merchant Place (Pty) Limited)
3	AdviceAtWork (Pty) Limited
4	Gamaphuteng Enterprises (Proprietary) Limited
5	MMI Health (Pty) Limited (previously Momentum Medical Scheme Administrators (Pty) Ltd (MMSA))
6	MMI Multiply (Pty) Ltd (previously Momentum Interactive (Pty) Ltd)
7	MMI Short Term Insurance Administration (Pty) Ltd
8	Momentum Ability Limited
9	Momentum Alternative Insurance Limited
10	Momentum Alternative Investments (Pty) Ltd
11	Momentum Asset Management (Pty) Ltd
12	Momentum Connect (Pty) Limited
13	Momentum Consult (Pty) Limited
14	Momentum Finance Company (Pty) Limited
15	Momentum Healthcare Distribution (Pty) Limited
16	Momentum International Multimangers (Pty) Limited
17	Momentum Investment Consulting (Pty) Limited
18	Momentum Investments Shared Services (Pty) Ltd
19	Momentum Life Botswana Limited
20	Momentum Property Investments (Pty) Limited
21	Momentum Retirement Administrators (Proprietary) Limited
22	Momentum Short-term Insurance Company Limited
23	Momentum Structured Insurance Limited
24	Momentum Wealth (Pty) Ltd
25	Momentum Wealth International Limited
26	SMH Land Development (Pty) Limited
27	Tsumeb Mall (Pty) Limited
28	MMI Umhlanga (Pty) Limited
29	Merchant Place Parkade Shareblock (Pty) Ltd
30	Slab Joint Finance Company (Pty) Limited