

Conflict of Interest policy





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1. Definitions

Authority/FSCA	Financial Sector Conduct Authority.
Authorised financial services provider(s)	A person who has been granted authorisation as a financial services provider by the issue to that person of a licence under section 8 of the FAIS Act and is registered as such with the FSCA.
Conflict of interest	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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> i. a financial interest; ii. an ownership interest; or iii. relationship with a third party.
Client	A specific person or group of persons, excluding the general public, who is or may become the subject to whom a financial service is rendered intentionally.
Employee	For the purpose of this policy, will include: <ul style="list-style-type: none"> a. All directors and full-time employees of any associate of Momentum Insure (MI); b. All temporary contracted employees; c. All employed representatives including tied agents.
FAIS	Financial Advisory and Intermediary Services Act, No. 37 of 2002.
Financial interest	Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than: <ul style="list-style-type: none"> a. An ownership interest; b. Training, that is not exclusively available to a selected group of providers or representatives, on: <ul style="list-style-type: none"> i. products and legal matters relating to those products; ii. general financial and industry information; or 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.
FSP	A registered Financial Services Provider.
Immaterial financial interest	Any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 in any calendar year from the same third party and in that calendar year received by: <ul style="list-style-type: none"> a. A provider who is a sole proprietor; or b. A representative for that representative's direct benefit; 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.

Intermediary service	<p>Subject to subsection (3) (b), any act other than the furnishing of advice, performed by a person for or on behalf of a client or product supplier—</p> <ol style="list-style-type: none"> The result of which is that a client may enter into, offers to enter into, or enters into any transaction in respect of a financial product with a product supplier; or With a view to: <ol style="list-style-type: none"> buying, selling, or otherwise dealing in (whether on a discretionary or non-discretionary basis), managing, administering, keeping in safe custody, maintaining or servicing a financial product purchased by a client from a product supplier or in which the client has invested; collecting or accounting for premiums or other moneys payable by the client to a product supplier in respect of a financial product; or receiving, submitting or processing the claims of a client against a product supplier.
MI	Momentum Insure Company Limited.
Representative	<p>Any person including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of the conditions of employment or any other mandate (including independent financial advisors), but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service:</p> <ol style="list-style-type: none"> Does not require judgement on the part of the latter person; or Does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.
Sign-on bonus	<ol style="list-style-type: none"> Any financial interest offered, or received (directly or indirectly), upfront or deferred, and with or without conditions, as an incentive to become a FSP or representative. A financial interest, referred to above, including but not limited to compensation for: <ol style="list-style-type: none"> potential or actual loss of any benefit, including any form of income, or part thereof; cost(s) associated with the establishment of an FSP's or representatives' business or operations, including the sourcing of business, relating to the rendering of financial services; a loan, advance, credit facility or any other similar arrangement.
Third party	<ol style="list-style-type: none"> A product supplier; Another provider; An associate of a product supplier or a provider; A distribution channel; or 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.

2. Introduction

- 2.1 The Financial Sector Conduct Authority (“FSCA”) published Board notice 706 of 2020, an amendment to the General Code of Conduct of the Financial Services Providers and Representatives (“General Code”) for the management of conflicts of interest. Financial Service Providers (“FSPs”) 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 rendering financial service(s) to a client.
- 2.2 The General Code stipulates that FSPs 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 incentives or valuable consideration – to or from another FSP or third party as defined in the code.
- 2.3 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.
- 2.4 This Conflict of Interest policy, provides measures to identify, manage and avoid existing and potential conflicts of interests within, and sets out the roles and responsibilities of the relevant parties in this regard.

3. Policy purpose

- 3.1 The purpose of this policy is to provide a framework with regard to the avoidance and management of conflicts of interest within MI in order to:
 - 3.1.1 Ensure that the business practices are in line with our commitment to provide quality service and to avoid or mitigate any situation in which the entity has an actual or potential interest that may, while rendering a financial service, influence the objective performance of its obligations to that client.
 - 3.1.2 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:
 - i. a financial interest;
 - ii. an ownership interest; or
 - iii. any relationship with a third party.
 - 3.1.3 Ensure compliance with regulatory requirements of the FAIS Act and its subordinate legislation, and
 - 3.1.4 Avoid legal liability and reputational risk arising from conflicts of interest.

4. Policy scope

- 4.1 This policy applies to Momentum Insure Company Limited (“MI”) FSP 22789, (collectively referred to as “We, Our, Us”) and all 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.

4.2 Relationship with representatives:

4.2.1 We 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;
- 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.

4.3 Relationship with third parties

4.3.1 We or our representatives may only receive or offer the following financial interest from or to a third party when:

- i. Commission is authorised under the Short-term Insurance Act, 1998 (Act No. 131 of 1998) and Regulations;
- ii. Fees are authorised under the Short-term Insurance Act, 1998 (Act No. 131 of 1998) and Regulations, if those fees are reasonably commensurate to a service being rendered;
- iii. 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:
 - are specifically agreed to by a client in writing; and
 - may be stopped at the discretion of that client.
- iv. 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;
- v. The amount and purpose of the fee must have been explicitly agreed to by the policyholder in writing, and it must appear from such agreement that the fee:
 - relates to an actual service provided to a policyholder;
 - relates to a service other than rendering services as intermediary; and
 - does not result in the intermediary or other person being remunerated for any service that is also remunerated by the insurer.
- vi. Subject to any other law, an immaterial financial interest; and
- vii. A financial interest, not referred to under subparagraph (i) to (vi), 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.

4.4 Sign-on bonus

- i) Generally, as a provider that is authorised or appointed to give advice, we may not receive a sign-on bonus from any person.
- ii) A sign-on bonus may only be offered to a new entrant, as an incentive to become a Category One provider that is authorised or appointed to give advice.

5. Roles and responsibilities

5.1 Heads and management of operational or support functions

- i. Implement appropriate procedures to identify all conflicts of interest, real or perceived that arise or may arise;
- ii. Manage conflicts of interest by appropriate measures and ongoing communication to and training of staff members;

- iii. Maintain and operate effective organisational and administrative arrangements and take reasonable steps to prevent or mitigate conflicts of interests from giving rise to a material risk of damage to the interests of its clients;
- iv. Prevent non-compliance with relevant regulatory requirements and protect our reputation by implementing appropriate procedures to manage, avoid or mitigate conflicts of interest that consider and protect the interests of all parties;
- v. 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;
- vi. 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;
- vii. 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;
- viii. Senior management should liaise with the Compliance department where procedures or practices are changed or implemented with a view to obtain input or guidance around possible compliance challenges; and
- ix. Capture and update details of financial interests in a central register.

5.2 Key individuals

- i. Manage or oversee the activities of the FSPs, as financial services are offered.
- ii. Ensure that all representatives receive training on the policy.

5.3 The Compliance department

- i. Establish a procedure to identify, manage and avoid conflicts of interest;
- ii. Provide relevant input and guidance to the operational areas or support functions;
- iii. Review adherence to this policy and report all breaches to the appropriate level in terms of the governance structure;
- iv. Monitor and ensure that financial interest registers are maintained; and
- v. Submit an annual compliance report.
- vi. Implement appropriate procedures which enable all conflicts of interest, real or perceived, to be identified;
- vii. Provide guidance to manage conflicts by appropriate avoidance or mitigating measures such as separation of functions, information barriers, and escalation and exit procedures;
- viii. Prevent legal liability or regulatory breach and protect our reputation by avoiding, mitigating or managing conflicts, appropriate procedures to consider and protect the interests of all parties.
- ix. Adopt procedures, controls and measures that can be used to manage conflicts of interest as set out in this Conflict of Interest policy.

5.4 All employees

- i. All employees shall ensure that they understand and comply with this policy at all times.
- ii. All employees shall continuously assess their own environments and endeavour to avoid conflict of interest.
- iii. All conflicts of interest shall be disclosed to their manager or the Compliance Assurance department.
- iv. This Conflict of Interest policy shall be read together with the Momentum Group Gift and Conflict of Interest policy.

6. Approach

- 6.1 The management and avoidance of all potential conflicts of interest is a requirement in terms of the FAIS General Code of Conduct for authorised financial services providers and representatives. It is further good business practice as it avoids legal liability and reputational risk. We are 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.
- 6.2 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.
- 6.3 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 for financial services providers and representatives.
- 6.4 Over-reliance on disclosure, without adequate consideration of how conflicts may appropriately be managed, is not sufficient.

7. Effective arrangements

- 7.1 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.
- 7.2 Controls should be put in place to ensure the requisite level of independence and should include, as a minimum and where relevant, the following:
 - i. effective procedures to prevent or control the exchange of information where that exchange of information may harm the interests of one or more clients;
 - ii. separate supervision of relevant persons whose principle functions involve activities that might give rise to a conflict of interest;
 - iii. 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;
 - iv. measures to prevent or limit any person from exercising inappropriate influence over relevant persons;
 - v. 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
 - vi. involvement of senior management and the utilisation of reporting and management information as deemed appropriate for each business.

8. Mechanisms for the identification of conflict of interest

- 8.1 The mechanisms for identification of conflict are as follows:
- i. Meetings between the Compliance department, operational areas and support functions to review procedures, processes, and business relationships;
 - ii. Management Information Systems reports which will identify inconsistencies and exceptions;
 - iii. Management Assurance audits can identify trends of actual or potential conflict of interests;
 - iv. Feedback and complaints from clients or other stakeholders;
 - v. Fraud line;
 - vi. The gift register

9. Measures for the avoidance of conflict of interest

The measures for avoidance of conflict of interest are as follows:

- 9.1. Alignment of all current business practices; procedures and relationships with the General Code of Conduct;
- 9.2 Training and maintenance of awareness levels of regulatory requirements;
- 9.3 User authorisation which determines the access and functionality available to each person on the operational system;
- 9.4 Segregation of duties and responsibilities between various operational areas and support functions;
- 9.5 Culture of compliance and company values with specific reference to Accountability, Excellence and Integrity;
- 9.6 An internal audit and the Management 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;
- 9.7 It is mandatory for all employees to declare any business interest as soon as possible; and
- 9.8 The provisions of the gift register.

10. Measures for the disclosure of conflict of interest

- 10.1 The measures for disclosures are as follows:
- i. Mandatory disclosure on the representative's letter of introduction
 - ii. Statutory written disclosures issued with policy documentation

11. Consequences of non-disclosure by employees and representatives

Consequences of non-compliance are as follows:

- 11.1 Material breaches may lead to disciplinary action and/or debarment.
- 11.2 If a breach of this policy is identified, corrective measures will be taken, which can include, but not limited to, further communication to clients.
- 11.3 Material breaches will be included in the compliance tracker.
- 11.4 The FAIS Act provides for penalties in the event that a person is found guilty of contravening the Act, or of non-compliance with the provisions of the Act. The penalty for non-compliance of specific provisions of the Act is an amount of up to R1 million or a period of imprisonment for up to 10 years.
- 11.5 The Authority is empowered to refer instances of non-compliance to an enforcement committee who may impose administrative penalties on offenders.
- 11.6 All potential transgressions of this policy must be investigated fairly and objectively and be reported by the Compliance Assurance department to the Executive Committee for a decision.
- 11.7 Current procedures, processes and controls will be reviewed if regular breaches are identified.

12. Staff acknowledgement

Heads and Management of each operational area and support functions must ensure that all staff are aware and comply with this policy and must institute processes to re-confirm this annually.

13. Availability

This policy document will be made available on the Momentum Group Limited intranet as well as the Momentum website to ensure that it is easily accessible for employees, clients and third parties at all reasonable times.

14. Policy governance

- 14.1 Approval
The policy must be approved by the Executive Committee.
- 14.2 Ownership
Ownership of the policy vests with the Chief Risk Officer.
- 14.3 Drafting and amendments
The Head of Compliance Assurance, Governance and Legal is responsible for the co-ordination, the drafting of, and the amendments to the policy.
- 14.4 Review
The policy must be reviewed annually by the Head of Compliance Assurance, Governance and Legal. If significant changes are made, it must be submitted for approval to the Executive Committee.