

COI – Management

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Key Point

- As far as possible, FSP's should avoid placing themselves in a position where there is material conflict between their own interests and those of their clients.



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BN 58...avoid or mitigate and disclose!

- Providers and representatives are required to avoid any conflicts of interests with clients. (this may include declining to act).
- If this is not possible, they are to mitigate the conflict.
- Any conflicts must be disclosed to the client in writing as soon as possible.





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What is a conflict of interest?

a conflict arises in a situation where a person's decision risks being tainted by self-interest.





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Managing Conflicts

➤ What is required

➤ COI Policy

➤ Disclosures

➤ Control Documentation



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COI Management Policy: Key documentation

Implement by 19th April 2011

➔ COI Management Policy
Section 2 (A-F)



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COI Management Policy...

➤ **Adopt, maintain and implement.**

➤ **It must provide for:**

- Management of COIs.
- Mechanisms for ID COIs,
- Measures for avoiding COIs and where avoidance is not possible: measures for mitigation.
- Measures for disclosure of COIs and processes & internal controls to ensure compliance with the policy.
- Consequences of non-compliance with the policy.
- List of associates and list of ownership interests.

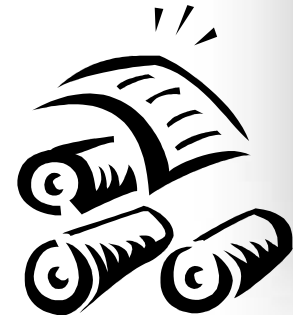


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COI Management Policy cont....

- Implement within 12 months of the commencement date (by 19th April 2011).
- Drafted in simple, easily understood terms.
- It's a public document:
 - must be accessible to clients and published in the appropriate media (i.e. your website).
- Compliance with the policy must be continuously monitored and an annual review must be compiled.





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Policy Framework

IDENTIFY CONFLICT OF INTEREST



ESCALATED TO APPOINTED COMPLIANCE CHAMPION/COMPLIANCE FOR
ASSESSMENT



LOGGED IN CONTROL SHEET (MASTER CONFLICTS REGISTER)



ASSESS CONFLICT FOR MATERIALITY (FINANCIAL INTEREST) - (BY SENIOR
MANAGEMENT/COMPLIANCE)



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Cont....



DECISION MADE AS TO MATERIALITY



PROCEED



AVOID



DISCLOSURE REQUIRED

LOG REASON FOR AVOIDING CONFLICT IN REGISTER



LOG REASON FOR ACCEPTANCE IN THE MASTER CONFLICTS REGISTER



MONITOR FOR COMPLIANCE (on-going)



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DISCLOSURE...

- Integral part of managing conflicts.
- Clear, concise and effective – to enable informed decision.
- Disclosure should be made pre transaction



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Letter of Introduction:

- You have a COI policy
- You place a high priority on client's interests
- Instances of Conflict will be identified
- If conflicts cannot be avoided, they will be managed equitably and in the client's interests.
- An integral part of the FSPs duties & obligations = Conflict detection, management and limiting their impact
- It is not the FSPs aim to avoid ALL potential conflicts because they are inherent in any business RATHER aim is to:
 - Take steps to ID & manage COIs to ensure clients not unduly prejudiced.
- FSP's will need to enhance current COI text in their LoI.



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Control Documentation

- **Conflicts Register**
- **COI Questionnaire**
- **Staff Declarations**
- **Gift Register**



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Keeping Tabs on Conflicts : Conflicts Register.



- Master Conflicts Register should include:
 - Details of any Material Financial Interests and;
 - Details of any Ownership interests.



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Immaterial Financial Interests Register:



- Purpose -To record the flow of inbound/outgoing gifts & other gratifications within the FSP.
- The details that need to be included are:
 - Details of the recipient
 - Details of the person offering the interest
 - Nature of Gift or Item Received and Monetary Value
 - Dates: when offered and received
 - Reason for the interest
 - Responses and comments



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Conflicts of Interest: Questionnaire...

Key individuals to complete at
least once a year





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Staff Declarations:

➤ The following declarations should be made by employees:

- Receipt of Gifts and Conflicts Management Policy of "....."
- Immaterial Financial Interests (R1000 rule)
- Ownership Interests





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Summary 1

- Not practical to prohibit all COI regardless of impact
 - Policies should advocate that all conflicts of interest be adequately assessed for impact, reported to the KI's and compliance function
 - PROCEED
 - AVOID (IF Serious or a breach of the regs)
- If Proceed, the COI can normally be managed by :
- Internal Controls and;
 - Appropriate disclosures



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Summary 2

- Depending on the nature of the COI, it may be appropriate to:
 - Disclose the COI to client;
 - Allocate another representative to provide the service to the client
 - Decline to provide a service to the client

- An appropriate response to a given COI depends on the circumstances



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Closing

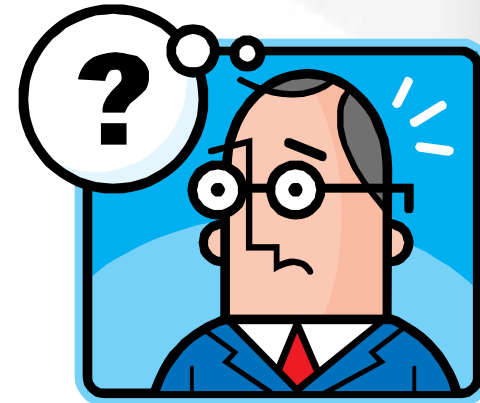
- **Change is inevitable**
- **Do not try and circumvent**
- **Keep to the spirit of the legislation**
- **Do not over engineer controls**
- **Materiality /luxury check**
- **Do not panic and shut down all activities.**
- **Act within the rules**
- **Ongoing monitoring adherence**
- **Diarize implementation dates**



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Still unsure?



Seek advice from your compliance officer
or contact the FSB directly



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Thank You

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