

Your very own FAIS Conflict of Interest Management Policy Document

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The recently released legislation aimed at curbing conflict of interest when FSPs deal with consumers will be phased in over time, but is yet another example of the burden placed on financial advisors, particularly the smaller operators who are already finding it difficult coping with all the demands on their time whilst at the same time trying to earn an honest living.

A reader recently forwarded directions received from Discovery Health on the implementation dates of the various phases of the legislation. The last phase entails the implementation of a conflict of interest management policy which has to be documented. The following summary from this document helps us non-legal beagles understand the “what” of the requirement:

“As a financial services provider you must prepare a conflict of interest management policy in understandable language and a format that is easy to read. The policy must be easily accessible to your client. For example, it can be a manual that is available on request. Your clients must be able to view the policy on request.

The policy must show how you intend to manage conflicts of interest in your business. It must include:

1. How you will identify conflicts of interest
2. How you will avoid conflicts of interest
3. How you will reduce the impact of conflicts of interest that cannot be avoided
4. The reasons why conflicts of interest cannot be avoided
5. How you will disclose conflicts of interests
6. What processes you will put in place to ensure compliance with the policy
7. What steps you will take when there has not been compliance
8. What financial interests you have received specifically saying how it complies with the rules
9. A list of all your associates
10. A list of all third parties that have an ownership interest in your business, as well as the type and value of ownership interest.

You may not try to get around this policy by working through an associate. Your annual compliance report must report on how you have implemented this policy and ensuring compliance with it.”

While this document is only required from 19 April next year you may want to consider understanding exactly what is required of you in terms of this legislation – it requires that you avoid and disclose conflict of interest since 19 July this year despite not having your own policy document in place.

Please consider getting professional assistance in having such a document drawn up to avoid inadvertently transgressing its prescriptions.

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