

# TREATING CUSTOMERS FAIRLY

## INTERNAL POLICY

### Introduction

The Treating Customers Fairly (TCF) programme is being implemented by the Financial Services Board (FSB) and consists of a principle based approach. TCF is a regulatory and compliance framework aimed at increasing customers' confidence and satisfaction in Financial Service Providers (FSP's), thus achieving all six key outcomes for consumers at all stages of the product life cycle including product design, marketing and promotion, advice, point of sale, after the sale, complaints handling and the ultimate payment of the benefits at the claims or withdrawal stage.

The principal objective of TCF is to protect the customer against any form of unfair business practice and to ensure that customers are treated fairly in all instances. Customers that receive any form of financial service from a FSP are entitled to the same protection as they would have enjoyed under the Consumer Protection Act, 2008.

Section 2 of the General Code of conduct states that a provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry which ties in with TCF principles.

TCF affects the following FSP's:

- FAIS regulated intermediaries, including brokers;
- Long-term and short-term insurers;
- Collective investment schemes;
- Pension funds;
- Friendly societies;
- FSP's (including discretionary and administrative FSP's); and
- Entities falling within the jurisdiction of the JSE and STRATE.

### TCF Principles of the FSP

The generally accepted TCF Principles that we follow include, but are not limited to:

- **Customer's Interest:** We pay due regard to the interest of our customers and treat them fairly in all our dealings with them.
- **Integrity:** We conduct business with integrity.
- **Skill, care and diligence:** We conduct business with due skill, care and diligence.
- **Management and control:** We take reasonable care to organise and control our affairs responsibly and effectively, with adequate risk management systems.
- **Financial Prudence:** We maintain adequate financial resources.
- **Market Conduct:** We observe proper standards of market conduct.
- **Client Communications:** We pay due regard to the information needs of our customers and communicate information to them in a way which is clear, fair and not misleading.
- **Conflicts of Interest:** We manage conflict of interest fairly, both between ourselves and our customers and between customers and other clients.

- **Customer relationship of trust:** We take reasonable care to ensure the suitability of our advice and discretionary decisions for any customer who is entitled to rely upon our judgment.
- **Client assets:** We arrange adequate protection for customer assets that fall under our responsibility.
- **Relations with the Regulator:** We deal with the Regulator in an open and cooperative way and appropriately disclose to the FSB anything relating to the business of which the FSB would reasonably expect notice.

### **The 6 outcomes of TCF**

Outcome 1: General measures to ensure that clients can confidently contract with business

Outcome 2: Products and services selection

Outcome 3: Providing information

Outcome 4: Suitability of advice

Outcome 5: Product performance and service levels are of expected standard

Outcome 6: Customers are not barred from making changes or instituting claims and complaints

### **The product life-cycle stages**

The product life-cycle of any financial services product can be divided into three stages. During the product life-cycle all six outcomes of TCF are adhered to.

Stage 1 is with regards to the product itself and includes the design of the product and the *promotion and marketing of the product*.

Stage 2 entails the rendering of advice *and intermediary services* as well as the point of sale of the product mentioned in stage 1.

Stage 3 includes the *information provided after point-of-sale and complaints* and claims handling.

### **OUTCOME 1:**

<b>General measures of the FSP to ensure that clients can confidently contract with business</b>
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All business spheres of us will be affected by TCF and must adhere to the requirements of TCF. Recruitment processes shall adhere to TCF objectives as set out in the Recruitment and Selection Policy which policy stipulates the minimum standards and qualifications when appointing personnel.

A TCF Forum will be established and the forum comprises of senior management members and Key Individuals of the FSP. This forum will be accessible to all employees with regards to TCF complaints or queries.

Senior management and Key Individuals will be responsible for the implementation and enforcement of TCF principles and objectives. TCF information letters will be circulated amongst staff on a regular basis. Monthly TCF reports will be submitted to the TCF Forum. Quarterly audits will be conducted by the appointed compliance officer of the FSP to determine the compliance and progress with TCF. TCF training will be provided to all the employees on an annual basis which will form part of their Continuous Professional Development (CPD).

Remuneration of employees will be linked with the reaching of TCF objectives which will include a negative reward and a positive reward. Disciplinary processes will be instituted in cases of non-compliance should it be necessary.

## **OUTCOME 2:**

### **Products and services selection**

Products and services marketed and sold in the retail market must be designed to meet the needs of identified customer groups and targeted accordingly. Customers can be broadly grouped into three categories:

- Low sophistication group (relatively inexperienced groups with a high level of dependence)
- Moderate sophistication group (general consumers group falling into the mass market)
- High sophistication group (investment groups who have expertise).

When products are selected an assessment of promotional and information material is performed to ensure that it is suitable for the customer group. The product is analysed to ensure that it is suitable to a particular market segment, satisfy the needs of that market segment and the commission or fee will be justifiable.

A financial needs analysis is done on each consumer. Correct information will be collated in order to draft the financial needs analysis. The financial needs analysis will set out that the consumer understand the products and services offered as well as the explanations given and the information supplied.

Furthermore an in depth analysis will be conducted of each product supplier. An annual critical review of all products will be performed where after the TCF forum will decide on discarding or promoting the specific products.

## **OUTCOME 3:**

### **Providing information**

Customers will be given clear information and be kept appropriately informed before, during and after the time of contracting. Financial advisers must pay due regard to the information needs of the customers, and communicate information to them in a way which is clear, fair and not misleading. Before and at the point of sale, all financial promotions will be clear, fair and not misleading.

Appropriate advice consist of the quality of advice, impartiality of advisers, assessing customer needs, point of sale communications and on-going advice.

Effective point of sale disclosure is essential to enable customers to understand the characteristics of the product they are buying and to help them understand whether and why it meets their requirements.

Post-sale disclosure plays an important role in helping to ensure that customers are kept aware of product performance, their opportunities to act at certain points in the product lifecycle and changes in the terms and conditions.

Prior to the selling of the product we will ensure that all sales and marketing material are written using plain English, jargon and technical terms will be fully explained, the product material will contain sufficient risk warnings where applicable, all costs and charges are accurate and disclosed to the customer, restrictions/exclusions/opt-ins and opt-outs associated with the product will be clear and in simple terms, all charges, including any early redemption/early termination charges, will be highlighted and made clear, the product literature will state clearly who the products are most suitable for and the promotional and product material will be tested with a non-expert.

During and after sales all correspondence with customers will be kept and be easily retrievable. A record of provision of all the disclosure documents (initial disclosure, product disclosure, quotations, fund fact sheets, performance figures and/or any other written document explaining or containing information on the product) will be kept, notes on telephone calls and meeting conversations will be kept and easily retrievable. We will keep in contact with customers after the product has been sold. All customer contacts will be recorded.

Clarity, appropriateness and fairness of information will be assessed prior being communicated to customers. All marketing material will be signed-off by a member of the TCF forum. Before and during contracting the financial advisers will ensure that information provided is accurate and applicable to the customers in order for the customer to make an informed decision. Customers will be adequately informed of product changes in good time. Contact details of customers will be maintained. Customers will have accessible contact points if they need information.

#### **OUTCOME 4:**

<b>Suitability of advice</b>
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Where customers receive advice, it will be suitable and will take account of their circumstances. Advice processes are sufficiently robust that instances of consumer detriment are extremely rare. Financial advisers are subject to financial penalties and commission clawback for poor advice. Financial advisers always receive detailed training on product technicalities with a strong focus on risks. Knowledge is always tested with case studies. Financial advisers are actively encouraged to achieve a qualification.

We will, before deciding to market a product, assess whether we have the appropriate skills and business processes in place to provide advice and service that will be suitable for the target market and the product concerned.

The Conflict of Interest Management policy is personalised to enable us and our representatives to identify and address any conflicts of interest between the FSP, the customers and the product providers whose products are marketed.

A policy for fair compensation of customers who have been financially prejudiced as a result of inappropriate advice provided by our representatives will be implemented.

We will regularly monitor the published decisions of the FAIS Ombud, guidance from the FSB and other relevant information sources in relation to advice practices, to ensure that our controls and practices in relation to the suitability of advice remains relevant and effective.

We expect of product providers to, before contracting with any product provider to market their products, conduct an appropriate level of due diligence to satisfy them that their products and service levels are likely to meet our customers' reasonable expectations.

Product providers will provide the FSP and our representatives with adequate training on the specific products the FSP markets to be in a position to provide our customers with suitable advice on those products. The training register will be kept up to date.

We will have reasonable access to any product information required from the product provider in order to provide suitable advice.

We will provide product suppliers with feedback in relation to any aspects of their products or services which inhibit our ability to provide suitable advice or deliver other TCF outcomes to customers.

Agreements between the FSP and the product providers whose products we market must set out the respective responsibilities in relation to providing customers with advice, information and service support. Customers must understand who they should look to in relation to different aspects of the financial products or service provided to them.

We will regularly test the representatives' knowledge and skills on the products of the FSP and market and prevent our representatives providing advice on products where they do not have adequate product training.

We will record and monitor feedback or complaints received from customers, product suppliers or other third parties regarding the quality of advice they have received from the representatives, to identify any training needs and/or risk of inappropriate advice.

We will conduct regular monitoring on the advice and services the representatives provide customers to identify instances and mitigate the risk to customers where the representatives have provided inappropriate advice or misleading information to customers.

We will record and analyse insurance claims, product retention / early termination data, investment portfolio switching, type and frequency of product changes in relation to the customers associated with the representatives, to identify and mitigate risks of inappropriate advice or poor customer outcomes attributable to the representatives concerned.

Clear TCF measures are included in the criteria that the representatives are required to satisfy to meet incentive or remuneration targets, regardless whether the remuneration or incentive is determined by the product provider or by the FSP. The FSP will implement controls to identify and act on instances where the representatives have provided advice which they are not authorised to provide, either in terms of their specific contract or mandate with the FSP and/or with any product provider, or as a result of non-compliance with the FSP's FAIS licence conditions or other legal requirements

## OUTCOME 5:

### **Product performance and service levels are of expected standard**

The FSP's products must perform as they have led their customers to expect and the associated service must be of an acceptable standard.

Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.

The foundation of complying with this is found in the General Code of Conduct speaking about the annual review process.

Section 7(4) A provider who has provided advice to a customer or is rendering on-going financial services to the customer in respect of one or more financial products, must on a regular basis (but not less than annually) provide the customer with a written statement identifying such products where they are still in existence, and providing brief current details of:

- Any on-going monetary obligations of the customer in respect of such product
- The main benefits provided by the products
- Where any product was marketed or positioned as an investment or as having an investment component; the value of the investment and the amount of such value which is accessible to the customer
- Any on-going incentives, consideration, commission, fee or brokerage payable to the provider in respect of such products.

Thus the FSP will have 3 processes in place namely an annual review process, a process to stay abreast of product and market developments and a process to gather and analyse the customers' behaviour.

An annual review process includes keeping close to the customers, keeping them informed and delivering on the promises made, provide the customers with an annual written statement containing the information as set out in Section 7(4) above and processes will be in place to alert the customers to the risks of non-action on their part, such as a failure to review insurance cover needs, investment goals and risk profiles and beneficiary nominations.

To stay abreast of product and market developments processes are in place to mitigate the risks to the customers where it becomes apparent that products are not performing or are unlikely to perform as they have been led to expect, further processes are in place to alert customers to the risks of particular actions on their part (such as early termination of a product, non-payment of contributions, investment portfolio switches, benefit reductions) in reasonable time for them to respond to or act on the information.

To gather and analyse the customers' behaviour the product retention / portfolio switching / early termination behaviour of the customers to identify risks that products or services are not meeting expectations created, conduct research or testing of the service standards to determine whether they are in line with customer expectations and monitor and act on feedback, complaints and suggestions received from customers or staff that identify the need for improvements in types of services or service standards.

Service standards are clearly set and communicated to customers. Regular testing of standards or conduct surveys will be conducted to test customer satisfaction. Processes are in place to protect customer information as required by legislation.

## **OUTCOME 6:**

<b>Customers are not barred from making changes or instituting claims and complaints</b>
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There are no unreasonable post sale barriers to change product, switch provider, submit a claim or make a complaint. We have appointed a dedicated complaint handler with appropriate authority to resolve the complaint and to ensure a consistent message and regular updates for the customer. Senior management routinely sit in complaints handling unit to listen to calls. Root causes analysis is consistently carried out, reported to senior management and the underlying issues resolved promptly.

There are no after sales barriers.

Customers will be informed timeously of how to make changes or modifications to products should their needs change. Customers will be informed of the risk of switching providers.

Complaints will be responded to in writing and reasons for the decision will be provided.

## **Conclusion**

The fair treatment of customers must be central to the firm's culture and customers must be confident in that they are dealing with such firms when obtaining any form of financial advice. TCF is about an ethical way of doing business in a sustainable manner.