Treating Customers Fairly Policy for Financial Services Provider (FSP) Umhlanga Insurance Brokers (Pty) Ltd, FSP Number 1150

1. What is TCF?

TCF stands for Treating Customers Fairly. All FSPs are required to incorporate the 6 TCF outcomes into their business operations.

TCF is the responsibility of the FSP and may not be outsourced to another party. TCF needs to be incorporated into the way that the FSP conducts business every day and in the way that the FSP deals with their clients.

Whilst a compliance officer can provide guidance and assistance to the FSP with regards to how to incorporate TCF into the way the FSP conducts business, it will be up to you as an FSP to ensure that TCF is central to the functioning of the FSP.

The concept of TCF is not foreign to FSP' and their representatives with section 2 of the FAIS General Code of Conduct already obliging FSP's to *"at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry."* In practice, a material failure to deliver one or more of the TCF Outcomes will already constitute a breach of this obligation and would therefore be actionable by the regulator. A number of the more specific obligations in the General Code, for example those relating to disclosure, suitability of advice, etc. are equally consistent with the TCF principles. Similar examples exist in other pieces of FSB-supervised legislation.

A TCF culture framework must be created in the FSP to ensure the behaviours and attitudes necessary for TCF and FSP's will be expected to build a TCF approach into the following organisational structures and processes of their organisations, namely: -

- Leadership: TCF must be “owned” by the most senior management structures within the FSP which will be held to account to ensure the delivery of TCF outcomes at all levels.

- Strategy: The TCF aims should not merely be part of a firm’s stated vision and values but must also be carried through to implementation as part of the firm’s broader business strategy.

- Decision-making: Decision-making protocols should ensure that decisions are tested for customer impact with staff free to, without repercussions, evaluate and challenge decisions from the TCF.

- Governance and controls: The governance structures and control mechanisms within FSP's will need to be designed to create disciplines around TCF which may include product distribution, service standard setting, complaint handling and resolution and control mechanisms.

- Performance management: All staff of the FSP need to be trained to deliver appropriate TCF outcomes with these TCF deliverables forming part of staff performance contracts where appropriate and performance should be evaluated in terms of TCF competence and expectations.

- Reward: Remuneration, incentive and reward policies need to take cognisance of fair customer outcomes and entail consequences for TCF successes and failures.

2. What are the Outcomes of this policy and how can they be implemented?

These 6 fairness outcomes are: -

- Outcome 1: Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.

Implementation:
Communication of this principle to your customers in your dealings with them which will be included in the explanation of your sales process and compliance paperwork.

Include TCF Policy and Procedure in FSP's Standard Operating Procedures.

- Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.

  Implementation:
  Whilst this appears to be largely a product supplier obligation, you must know your market, know your products, market appropriate products to your customers, know your customer especially his/her product knowledge level and establish the needs of your customer through a financial needs analysis.

  FSP house view on products and Due Diligence on product suppliers.

- Outcome 3: Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.

  Implementation: You must follow Umhlanga Insurance Brokers (Pty) Ltd’s Sales process, maintain accurate and comprehensive paperwork and be responsive to customer’s queries and complaints and address them timeously.

  Driven by FAIS Disclosures, Conflict of Interest policy and licensing requirements.

- Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances.

  Implementation:
  Follow the 6 steps of financial planning which includes the gathering of information, doing a needs analysis which flows into recommendations, provision of a record of advice which is appropriate given the client's needs, objectives, and circumstances, provide reasons for products recommended and why these products should satisfy the customer's needs and objectives.

  Driven by FAIS data gathering, financial needs analysis, Proposal / Quotes and Record of Advice.

- Outcome 5: 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.

  Implementation:
  Manage customer's expectations in line with products recommended and implemented and ongoing service, deliver on what you say and rather under promise and over deliver as opposed to creating unrealistic expectations.

  Driven by Internal checks, Complaints Register, Replacements Registers, and annual Client Reviews.

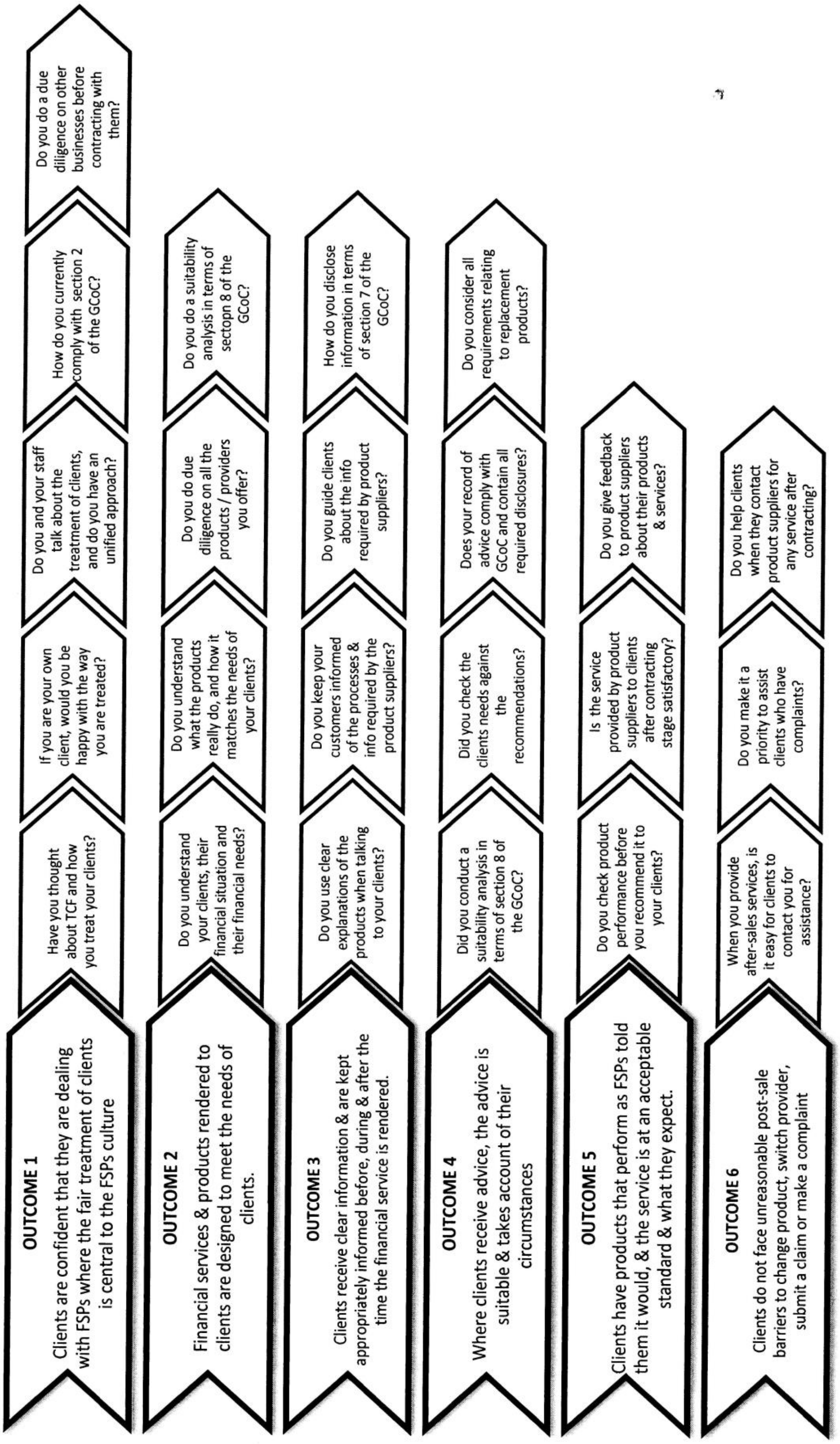
- Outcome 6: Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

Implementation:
The Letter of Introduction refers to Umhlanga Insurance Brokers (Pty) Ltd's Complaints Resolution process which includes how and to whom the customer complaint must be directed, with the first port of call being the FSP and should the complaint not be resolved to the customer's satisfaction, the alternative avenues a customer can follow which may include referring the complaint to the FAIS Ombud, Short-Term Insurance Ombud, or other legal action.

Driven by Complaints Policy and Procedure and Client Complaint Acknowledgement.

In addition to these 6 outcomes, TCF as a business practice should focus on the following two key principles: -

1. Ensuring that consumers understand the risks and benefits of the financial products in which they invest; and
2. Ensuring that the sale of unsuitable products is minimised by maintaining ongoing TCF principles and best practices.



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3. How do you measure delivery of these TCF outcomes?

Whilst there is no exact measurement of the delivery of these 6 outcomes, the extent to which they are imbedded in the culture of Umhlanga Insurance Brokers (Pty) Ltd can be ascertained in the initial and ongoing communication to customers and the content of compliance paperwork and the effectiveness of this policy can be sought in the number of customer complaints received and how they are dealt with and resolved.

The following questions should also provide some guidance on questions Umhlanga Insurance Brokers (Pty) Ltd, and their representatives should consider in delivering the above 6 outcomes of TCF.

	Question	**How**
1	Who is responsible for TCF in the FSP?	Appoint a TCF champion.
2	How do you measure TCF delivery?	Staff competence & culture, client communication, compliance monitoring, engagement with product suppliers, post-sale client communication, replacements & complaints registers.
3	Are all staff clear of their TCF responsibilities?	Training and regular meetings to discuss TCF.
4	How do you take TCF into account when deciding whether to contract with a particular product supplier or whether to market a particular product?	FSP due diligence process which takes into account your customer profile as well as the profile and product offering of the product supplier.

5	How do you confirm which target market a product is designed for and then ensure that you market accordingly?	Business Planning Market Strategy, Due Diligence process and product suppliers house view.
6	What do you do if it is not up to standard?	Engage with product suppliers and set out an internal review process.
7	How do you ensure customers get post sale information when they need it (over & above annual statements)?	FSP to enter into a Service Level Agreement with their customers.
8	Do you insist that product suppliers give your representatives specific product training?	FSP to have a documented product training process and accreditation assessment prior to marketing of their products. There must also be at least an annual product accreditation assessment.
9	What level of feedback do you give product suppliers on their products and service?	At least an annual meeting and survey with the product suppliers Broker Consultant in this regard.
10	What controls do you have in place to monitor risk of poor advice by your representatives?	Compliance Paperwork Checklist must be in place for each and every transaction of representatives the content of which must be sampled by both the Key Individual and Compliance Officer.

11	Do you monitor customer complaints, claims, replacements, and portfolio switches?	Must implement and maintain a Complaints and Policy Replacement Registers.
12	What do you do to mitigate risks for customers when you discover a problem with advice given?	This should be set out in the FSP's Conflict of Interest and Complaints Resolution policies.
13	Have you communicated your service standards to your customers?	This should be set out in the FSP's Service Level agreement or marketing document.
14	How do you support your customers at claim stage?	This should be set out in the FSP's standard operating procedures.
15	Do you analyse and act on complaints for TCF purposes?	The Complaints register and how the complaint is handled is a measure of the effective implementation of TCF in your practice. Trends can be picked up in the information recorded in this register.

TCF is an ongoing process, and the following should also be considered: -

- Continually re-look at the TCF principles and the FSP's business by answering the above questions;
- Discuss the TCF outcomes with staff and agree how they will be lived in the FSP;

- Decide how the TCF outcomes will be incorporated in the FSP's business processes;
- Document your decisions by updating policies and processes;
- Review your policies and processes on a regular basis, at least annually, adjust where necessary;
- Get feedback from your clients on the service you provide to them, and use this to check what you do well (keep on doing this) and where you can improve (do something different);
- View any complaints that you receive as an opportunity to learn and improve;
- Develop open communication lines with the product suppliers you use, to make sure you understand the products and services; and
- Give feedback to product suppliers on you and your customer’s experiences of their product performance, promotional material, and service delivery before, during and after the contracting stage.

4. What can the Customer expect?

The intended benefits of the TCF Policy which is then also what a customer can expect is: -

- Improved customer confidence;
- The supply of appropriate products and services; and
- Enhanced transparency and disciplines in the Financial Services Industry