

MCA FINANCIAL PLANNERS PTY LTD (MCA)

Managing Conflicts of Interests

Obligation

All licensees under s912A(1)(aa) must have adequate arrangements for the management of Conflicts of Interest. Conflicts of Interest may arise wholly, or partially, in relation to the provision of financial services by the licensee, or a representative of the licensee, as part of the financial services business of the licensee or the representative.

The conflicts management obligation applies to services provided to both retail and wholesale clients and to the conduct of licensees as well as their representatives.

Expectation

ASIC's general approach and expectations are outlined in Regulatory Guide 181 Licensing: Managing Conflicts of Interest [RG 181] released in July 2007.

ASIC expects licensees to:

- identify and actively manage any conflicts that exist or may be perceived in the day to day business operations;
- document policies and procedures for managing such conflicts; and
- keep records of how conflicts identified have been managed.

Commitment

MCA Financial Planners Pty Ltd has the responsibility to determine on an ongoing basis the arrangements needed to ensure adequate Conflicts of Interest management. Therefore a comprehensive managing Conflicts of Interest process has been developed to identify and manage all Conflicts of Interest.

Responsibility

The conflicts management arrangements (i.e. measures, processes and procedures) must be approved, implemented, reviewed, updated and endorsed by Terry O Brien.

Review

This policy will be subject to annual review.

What is a Conflict of Interest?

A Conflict of Interest is any circumstance where some or all the interests of the clients are inconsistent with or diverge from, some or all of the interests of the licensee or its representatives. Such conflicts may include actual, apparent or potential Conflicts of Interest.

Approach

As a financial services business, MCA Financial Planners Pty Ltd has a legitimate expectation for a return on the financial services that it provides. Participating in activities with the opportunity for personal gain does not, in itself, constitute an unacceptable situation. It is the potential stimulus for unacceptable behaviour that must be addressed.

Therefore, where financial or other benefits or support may be received, either by the business or by an individual (including representatives, employees, staff, contractors and agents) personally, the licensee must consider any possible or perceived influence upon the services provided to the clients (both retail and wholesale). This includes any associations with product issuers and other issues that may create a potential or perceived conflict.

It is expected that the client's interests are the **principle considerations** behind the financial services provided to them. Any advice provided must be based on an adequate analysis of the client's relevant personal circumstances, objectives and situation and not on the amount of personal gain that the licensee or its representative could achieve from making a particular recommendation. Everyone within the licensee has a responsibility to remain alert to any real or apparent conflicts and to report them.

Plan Summary

MCA Financial Planners Pty Ltd's policy in relation to maintaining adequate conflicts management arrangements has been developed in line with ASIC's statutory requirements for ensuring that financial services covered by a Licence are provided efficiently, honestly and fairly. The three mechanisms for managing Conflicts of Interest are:

- Avoid
- Control
- Disclose

The conflicts management policy does not prohibit all Conflicts of Interest. The policy requires that all Conflicts of Interest be adequately managed by internal controls and appropriate disclosures. Where conflict cannot be adequately managed through controls and disclosures, we must avoid the conflict or refrain from providing the affected financial service.

MCA Financial Planners Pty Ltd is committed to maintaining a Conflicts of Interest arrangement that:

- ensures that the quality of our financial services is not significantly compromised by Conflicts of Interest;
- promotes consumer protection and upholds market integrity;
- identifies, assesses and evaluates Conflicts of Interest and provides timely, specific and meaningful disclosure of any Conflicts of Interest that may impact on the service we provide to our clients;
- monitors procedures in place to ensure that any non-compliance with our conflicts management arrangements are identified and appropriately acted upon; and
- ensures that all clients are treated fairly and are adequately informed about any Conflicts of Interest that may affect the provision of financial services offered to them.

Identifying Conflicts

It is MCA Financial Planners's policy that all financial or other interests that might present a conflict, or appearance of a Conflict of Interest, must be reported to and reviewed by Terry O Brien to recommend appropriate management controls.

Regardless of value, where there is the potential for a conflict to arise, then it should be identified in the Conflicts of Interest Table and evaluated appropriately.

Conflicts of Interest may arise in the following instances:

- activities of the licensee are influenced by a parent body or subsidiary;
- joint ventures and affiliations;
- a higher rate of commission is offered by a particular product provider compared to other product providers;
- other relatively higher incentives offered by product provider, e.g. preferential remuneration, volume bonus, equity, and/or options, that could influence the pattern of advice;
- receipt of soft dollar incentives, gratuities or special favours that have the potential to induce reciprocity;
- churning;

- relationship between individual clients or classes of clients;
- selection of suppliers and outsourcing service providers;
- unauthorised use of privileged information (i.e. using knowledge about a particular client or class of clients to advance licensee's own interests without disclosure to the affected client/s).

However, MCA Financial Planners Pty Ltd will, to the best of its abilities, avoid all conflicts of interest, actual or perceived.

Assessing and Evaluating Conflicts of Interest

Once an actual, apparent or potential Conflict of Interest is identified and brought to the attention of Terry O'Brien, he will assess the appropriate response to the identified conflict. Terry O'Brien will consider the:

- impact of the conflict on the client, the licensee and its representatives;
- likelihood of that conflict occurring/reoccurring.

In all instances, the conflict will be avoided.

Developing and Implementing Appropriate Controls

In evaluating the appropriate controls to be placed in managing the conflict, MCA Financial Planners will include the following considerations:

- actual benefit/remuneration;
- impact on the client and to the provision of fair, honest and professional services/advice;
- ability of the clients to assess the likely impact of conflict on the services they will receive; and
- relative bargaining position of the licensee and its representatives compared to, or at the expense of the client.

The three mechanisms for managing Conflicts of Interest are set out below:

- **controlling** – having a considered approach to identifying, evaluating and responding to conflicts of interest;
- **avoiding** – determining which conflicts of interest are significant enough to require avoidance; and
- **disclosing** – using disclosure to improve client's understanding of any conflicts of interest and the impact upon them.

Avoiding Conflicts of Interest

Some Conflicts of Interest have such a serious potential impact on the licensee or its clients that the only way to adequately manage those conflicts will be to avoid them. In such cases merely disclosing them and imposing internal controls will be inadequate. MCA Financial Planners's conflicts management arrangements is able to identify those Conflicts of Interest that must be avoided. These are detailed in the Conflicts of Interest Table.

Generally, conflicts of a significant nature may be avoided by:

- not advising a client on a particular product;
- having another representative manage the client;
- avoiding products with high commission structures or volume bonuses;
- developing staff trading restrictions;
- introducing a policy of divesting – any equity interest in services provided or products recommended/used.

Disclosing Conflicts of Interest

An important part of the management of conflicts is making appropriate and timely disclosures. MCA Financial Planners will provide the disclosure in a manner that is clear, prominent, specific and meaningful taking into account:

- client's level of financial sophistication;
- complexity of the service/product;
- how much the client already knows about the conflict; and
- extent to which third persons are likely to rely, directly or indirectly, on the service (e.g. where advice is given to a wholesale client in circumstances where it is likely to be passed on to retail clients);

The disclosure will be given to the client before the financial service is provided and will consider:

- context – how it is relevant to the client;
- scale – how big is the potential benefit;
- eligibility – under what circumstances would the representative or licensee get the benefit; and
- source – who pays the benefit. If the benefit system creates a preference for certain providers, who are they.

MCA Financial Planners will have the appropriate disclosure orally or in writing, but in any case in the same form as the advice. For written disclosures, the disclosure will be included where suitable in the following form:

- Financial Services Guide (FSG) for retail clients
- Statement of Advice (SOA) for retail clients
- invoices for wholesale clients
- client correspondence for wholesale clients

Controlling Conflicts of Interest

Apart from disclosing those Conflicts of Interest that MCA Financial Planners has deemed not to avoid, adequate control measures will be instituted to prevent the conflicts from having a major influence on the provision of honest, fair and professional services. Some of the control measures that have been introduced or may be applied to a specific Conflict of Interest identified include:

- clearly stated prohibited behaviour;
- Robust processes to determine the Approved Product List, which incorporates a check if any Conflict of Interest may arise from selecting a particular product;

- internal business policies on secondary employment and other activities that may introduce conflicts;
- monitoring of non-monetary benefits or incentives received by representatives; and
- enforcement procedures.

Policies on Specific Conflicts of Interest

Commission Related Remuneration

MCA Financial Planner's representatives are authorised to give retail product advice and has elected to be remunerated by a set hourly fee or by commissions from a product issuer or a third party.

MCA Financial Planners Pty Ltd acknowledges that a Conflict of Interest may exist:

- In recommending products that result in high commissions and volume bonuses to the representative
- In recommending a switch of products to generate upfront commissions
- In recommending securities that are beneficially held by the representative

and ensures that clients are fully informed of this by the representative as well as being documented in the FSG and SOA.

Soft Dollar Benefits

It is MCA Financial Planners's policy that all its representatives involved in providing financial services to its clients should maintain a Soft Dollar Register to record benefits of more than \$300 in equivalent value received throughout the year. **However, it is also MCA Financial Planner's policy that all soft dollar benefits should be avoided.**

Monitoring and Supervision

The management of conflicts will be regularly monitored to ensure that it remains adequate and is being adhered to.

Staff training and awareness on the management of conflicts arrangements will be undertaken via any or all of the following mechanisms:

- induction program for new employees
- incorporated in regular appraisal of representative's performance

Breach Handling

Any departure from the stated policies and processes to manage specific Conflicts of Interest must be reported to the Responsible Manager to assess and make recommendations to the licensee. The Responsible Manager will follow the

licensee's Breach reporting processes and engage external assistance if required to determine the significance of any Breach identified.

Retention of Documents

All document updates will have version control (i.e. date reviewed) and will be kept for at least seven years.

Resources

- Conflicts of Interest Table

References

- Corporations Act 2001: s912A(1)(aa)
- Regulatory Guide 181 Licensing: Managing Conflicts of Interest [RG 181]

