

SPECIALIST FINANCE GROUP

Mortgage Specialists Pty Ltd Australian Credit License Number 387025 Conflicts of Interest for Mortgage Brokers

SFGcompliance

CONFLICTS OF INTERESTS STATEMENT FOR MORTGAGE BROKERS

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Conflicts of Interest for Mortgage Brokers

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Conflict of Interest Disclosure

Dealing with Conflicts of Interest

Our conflict management process ensures that our clients will not be disadvantaged by any conflicts of interest that arise in relation to our credit activities (whether that possible conflict may arise wholly or partly in relation to credit activities engaged in by the licensee or its representatives). The process and documentation reflects the current status and appropriately describes how the client will not be disadvantaged.

Compliance Procedures with Conflicts of Interest

We follow defined compliance procedures when providing credit assistance that ensure clients are not being disadvantaged.

- Capturing the requirements and objectives of the consumer and matching the most appropriate product to their needs regardless of any commission, benefit, interest, remuneration or accreditation requirement.
- Consumers are provided with access to a range of products throughout the process and are provided with appropriate comparisons reports that evaluate the features and benefits of each product with respect to the consumer's objectives and financial situation.
- The list of credit options / products that are presented and discussed throughout the process are sufficiently comprehensive to ensure that our business has provided adequate arrangements. The products evaluated will be a reasonable representation of the credit options that are appropriate for the consumer's objectives and financial situation.
- Consumers are able to make choices with respect to the lender and product utilised (based on the range of lenders that our business are accredited with), irrespective of any commission, benefit, interest, remuneration or accreditation hurdle.
- Products will be well researched, evaluated and presented with respect to the client's requirements around the loan costs, charges and relevant policy that relates to their situation.
- A Preliminary Credit Assessment is always conducted to evaluate the options in accordance with their requirements and objectives. This document may also be utilised to acknowledge agreement on the credit assistance process, ensuring that the customer is not disadvantaged by any conflict of interest.

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Disclosures to Consumers

In addition to the credit assistance process been defined above, numerous disclosures are made to the client to provide transparency with potential conflicts of interests. Where conflicts may exist, an explanation is provided to inform the customer of the specific interest. These disclosures are made by:

1. Documentation in the Credit Guide
2. Documentation in the Credit Proposal
3. Other methods of correspondence with clients that are subsequently supported by written confirmation

Relevant conflicts are also described in a Conflicts of Interest Register (found in the appendix of this document). The conflicts of interest Register will be updated periodically.

Possible conflicts that may need to be described in the register or in the NCCP disclosure comments include:

- Higher commissions:
- Referrals involving remuneration or benefit
- Ownership or directorships of related businesses
- Volume hurdles:
- Volume bonuses:
- Tiered Servicing Arrangements

Review of the Conflict of Interest – periodic testing of conflicts

Existing conflicts of interests: Existing or carry over Conflicts of interests are assessed on a bi-annual basis to ensure there is no impact on a client where they may experience a disadvantage or whether there is a potential for a client to be disadvantaged. We recognise that circumstances change and some Conflicts of Interests that have existed historically without causing a potential disadvantage, may have different impacts based on legislative changes and changes in the finance industry.

New conflicts of interest: Any new potential conflict of interest will be evaluated to ensure that no consumer is disadvantaged and that full disclosure will be made of the potential conflict of interest.

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Best Interests Duty and Conflicts of Interests

In 2020, Best Interests Duty (BID) will be introduced as part of the Financial Sector Reform Bill. The Bill is due to become legislation on July 1, 2020 and will cover how brokers must deal with the Best Interest of a client and how they manage conflicted remuneration.

Broadly, BID and conflicted remuneration will cover any benefit:

- given to a licensee, or a representative of a licensee, who provides credit assistance to consumers that, because of the nature of the benefit or the circumstances in which it is given, could reasonably be expected to influence the credit assistance provided (including, therefore, the choice of credit contract or credit provider or the choice of whether to provide credit assistance or not); or
- given to a licensee, or a representative of a licensee, who acts as an intermediary and because of the nature of the benefit of the circumstances in which it is given, could be reasonably expected to influence whether or how the licensee or representative acts as an intermediary.

The management of the Best Interests Duty is designed to ensure the interests of the client are given priority over the interests of the broker. In order for mortgage brokers to prioritise their consumers' interests when providing credit assistance they will need to ensure they conduct reasonable investigation into the client's needs and objectives and then (while also meeting the responsible lending obligations under the NCCP act) ensure that the client's needs have been met without conflicting priorities and without conflicting objectives from the mortgage broker.

This does not solely relate to remuneration, but may relate to service offerings, risk analysis and any other conflict that may bias a mortgage brokers credit assistance provision.

Note Although the Bill makes many references to Licensees, ACL holders must take reasonable steps to ensure that their credit representatives who are mortgage brokers also comply with the best interests duty.

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Annexure A - Example of Conflicts of Interest Template

Conflict	Description	Managed by	Monitored by
Brokerage commissions	Recommending a loan product that attracts higher commission than an alternative, despite the other needs of the client.	Full disclosure to client of all commissions and fees payable to brokers by respective lenders. Disclosure of commission structures in Credit Guide and Credit Proposal	Monitoring of lender ratios and volume of business referred to each lender – ensuring that bias is not evident (whether consciously or not)
Relationship with service / product provider	We have a personal or financial relationship with a financial planner or accountant or real estate agent who we refer our clients to.	Full disclosure to client of all commissions and fees payable to brokers by respective lenders. Encouraging other options to be explored with regards to financial advice	Confirming with client that service of product has met their requirements
Relationship / ownership of business	Third parties have an ownership / shareholder stake of our business Includes third parties who are not directly involved in mortgage broking activities and may be involved in associated businesses from which referrals are sourced.	Disclosure in Credit Guide for Mortgage brokers on ownership and relationship	Ensuring the product selection and subsequent lodgement of loans are consistent with clients best interests and not influenced by ownership relationship
Tiered servicing	Recommending a lender that offers assistance or benefits on the basis of volumes submitted to the lender	Disclosure in Credit Guide for Mortgage brokers	Monitoring of lender ratios and volume of business referred to each lender – ensuring that bias is not evident (whether consciously or not)