



CONFLICT OF INTEREST MANAGEMENT FRAMEWORK AND POLICY

**Applicable to Financial Services Provider acting as
Category I and II Financial Services Provider in
terms of the Financial Advisory and Intermediary
Services Act**

Implemented for:



FSP no.: 24709

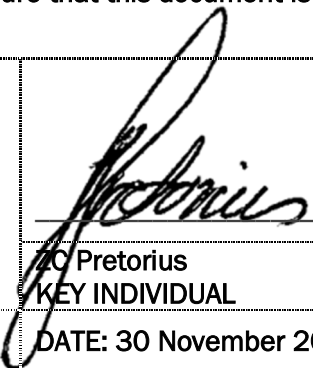
(hereinafter referred to by name or as “FSP”)



DECLARATION OF IMPLEMENTATION AND COMPLIANCE

I, the undersigned, being the authorised and approved Key Individual of the above FSP, hereby declare as follows:

- ✓ I have made myself aware of the contents of this document
- ✓ I will ensure that the processes herein contained are implemented in our business
- ✓ I will ensure that all staff in our business are trained on the aspects of this legislation and as condensed in this document
- ✓ I will ensure that where possible any conflicts of interest will be avoided and where not possible, that it is mitigated as much as possible
- ✓ I will ensure that a copy of this policy is published on our website (where applicable)
- ✓ I will ensure that this document is updated and reviewed on at least an annual basis.



ZC Pretorius
KEY INDIVIDUAL
DATE: 30 November 2020

REVIEWS

Date of review:	Completed by:
30/11/2020	Lisa Pretorius Venter

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1. BACKGROUND

A conflict of interest can be defined as a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his/her official duties.

In the financial services environment a conflict of interest means a situation where a FSP or a representative has an actual or potential interest that may influence the objective exercising of obligations to the client or prevent the rendering of financial services in an unbiased and fair manner.

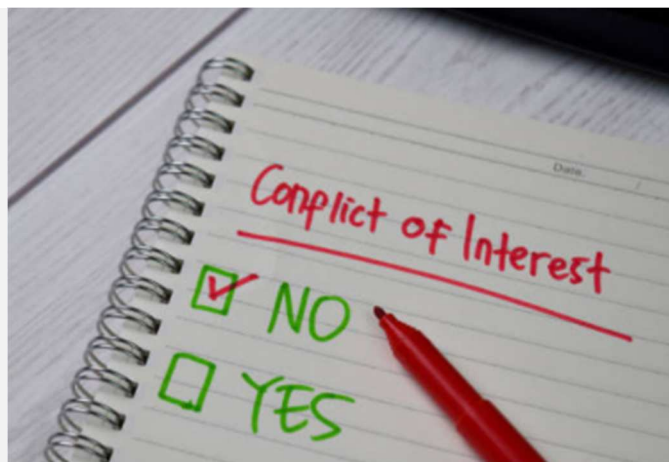
It will therefore occur when two or more interests conflict with one another and can render the financial service biased or inadequate. This typically presents itself where product sales are linked to incentives, monetary and/or other lavish rewards (such as overseas trips) or other forms of financial interests. The danger is that the FSP or representative may be influenced by these considerations without due care to the client and his needs, to the detriment of the client.

Our FSP has therefore implemented this policy to ensure that any financial services we render are always in the interest of our clients and to provide a framework within which to address and identify areas where conflicts may arise, to define how conflicts of interest are to be identified, managed, avoided, mitigated and disclosed where applicable.

2. POLICY CONTEXT

2.1 Specific duties

The General Code of Conduct was amended by General Notice 706 published on 26 June 2020. Section 3 states that a specific duty of the FSP is that a FSP and a representative:



- ✓ Must **avoid** and where this is not possible **mitigate** any conflict of interest between the FSP and a client or the representative and a client
- ✓ Must **in writing disclose** any conflict of interest in respect of that client
- ✓ Must include any **measures taken** to avoid or mitigate the conflict
- ✓ Must also disclose any **ownership interest or financial interest**
- ✓ Must **describe in sufficient detail the nature of any relationship or arrangement with a third party** that gives rise to a conflict, so that the client can understand the exact nature of the relationship or arrangement
- ✓ And must inform a client of the conflict of interest management **policy and how it may be accessed.**

The guiding principles of this policy are that the FSP and its representatives must, when rendering financial services, act honestly, fairly, with due care, skill and diligence. There must, always, be a regard to fair outcomes for customers, the interest of the clients and the integrity of the FSP as well as that of the financial services industry. Representatives of the FSP are discouraged from engaging in situations that will give rise to an actual or potential conflict of interest situation and must immediately report such situations.



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This policy provides for the management of conflicts of interest and is as such adopted by the management of the business. The key individual will ensure that all employees and representatives are aware of the contents of this conflict of interest management policy and that appropriate training is provided.

The key individual will continuously monitor the FSP's compliance with the conflict of interest policy and review and update this policy on at least an annual basis.

2.2 Policy requirement

The requirements for a management policy is set out as follows in the General Code of Conduct:

1. A conflict of interest management policy must be **adopted** by the sole proprietor of a FSP, the board of directors of a FSP or, in the case where an FSP is not a company, the governing body of or senior management of the FSP.
2. An FSP must ensure that its employees, representatives and, where appropriate, associates are aware of the contents of its conflict of interest management policy and provide for appropriate **training** and educational material in this regard.
3. An FSP must continuously **monitor compliance** with its conflict of interest management policy and annually conduct a review of the policy.
4. An FSP must **publish** its conflict of interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times. This would mean to include such policy on the FSP's website where it is easily accessible for viewing or download and having a copy available in the office on request.

2.3 Policy provisions

A conflict of interest management policy must provide for the following:

1. Provide for the management of conflicts of interest as defined in section 1, and-
 - a. mechanisms for the identification of conflicts of interest (refer to ANNEXURE A);
 - b. measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest;
 - c. measures for the disclosure of conflicts of interest;
 - d. processes, procedures and internal controls to facilitate compliance with the policy; and
 - e. consequences of non-compliance with the policy by the FSP's employees and representatives; and
2. Specify the type of financial interest that the FSP will offer a representative and the basis on which a representative will be entitled to such a financial interest and motivate how the financial interest complies with sections 3A(1)(b) and 3A(1)(bA) (refer to ANNEXURE B);
3. Also record any financial interest received by the FSP or representative (refer to ANNEXURE B);
4. Include the names of any third parties in which the FSP hold an ownership interest (refer to ANNEXURE C);
5. Include the names of any third parties that holds an ownership interest in the FSP (refer to ANNEXURE C); and
6. Include the nature and extent of the ownership interest referred to in subparagraph 4 and 5; and
7. Be drafted in an easily comprehensible form and manner.

2.4 Purpose of policy

The purpose of this policy is to assist the FSP, the key individual and its employees to identify potential and actual conflicts of interest and manage it appropriately.

The FSP has a duty to act in the client's interests when giving advice or providing intermediary services. This includes remaining independent, objective and professional. It also involves avoiding conflicts of interest, or managing them if they cannot be avoided, and informing its clients about the conflicts that cannot be avoided.

The purpose of this policy is to **assist** the FSP, the key individual and its employees to **identify** potential and actual conflicts of interest and **manage** it appropriately.

2.5 Penalties for non-compliance

This policy is applicable to the FSP, its employees and representatives. Failure to comply with this policy constitutes misconduct and could result in disciplinary action being taken. Avoidance, limitation or circumvention of this policy through whatever means will also be seen as non-compliance.

In serious cases, such disciplinary action may result in **termination of employment and/or debarment with the FSCA.**

3. DEFINITIONS

The following definitions are some of the more relevant ones in reading, understanding and implementing the requirements of this legislation.

"associate" means

- (a) in relation to a natural person, means-
 - (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
 - (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
 - (iii) a parent or stepparent of that person;
 - (iv) a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
 - (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
 - (vi) a person who is in a commercial partnership with that person;
- (b) in relation to a juristic person -
 - (i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
 - (ii) which is a close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
 - (iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person-
 - (aa) had such first-mentioned juristic person been a company; or
 - (bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
 - (iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;
 - (c) in relation to any person -

- (i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
- (ii) includes any trust controlled or administered by that person.

"conflict of interest" means any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to a client, -

- a) influence the objective performance of his, her or its obligations to that client; or
- b) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client, including, but not limited to -
 - (i) a financial interest;
 - (ii) an ownership interest;
 - (iii) any relationship with a third party;

"distribution channel" means-

- (a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
- (b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;
- (c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

"financial interest" means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than -

- (a) an ownership interest;
- (b) training, that is not exclusively available to a selected group of providers or representatives, on-
 - (i) products and legal matters relating to those products;
 - (ii) general financial and industry information;
 - (iii) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;

“governing body” means a person or a body of persons, whether elected or not, that manages, controls, formulates the policy and strategy of the insurer or controlling company, directs its affairs or has the authority to exercise the powers and perform the functions of the insurer or controlling company.

“immaterial financial interest” means any financial interest with a determinable monetary value, the aggregate of which does not exceed a R1 000 in any calendar year from the same third party in that calendar year received by -

- (a) a provider who is a sole proprietor; or
- (b) a representative for that representative's direct benefit;
- (c) a provider who for its benefit or that of some or all of its representative aggregates the immaterial financial interest paid to its representatives;

“third party” means -

- (a) a product supplier;
- (b) another provider;
- (c) an associate of a product supplier or a provider;
- (d) a distribution channel;
- (e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to a provider or its representatives;

“ownership interest” means -

- a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and
- b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

“sign-on bonus” means any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider, and a financial interest includes but is not limited to:

- a) compensation for the potential or actual loss of any benefit including any form of income, or part thereof, or
- b) cost associated with the provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; or
- c) a loan, advance, credit facility or any other similar arrangement.

4. MANAGEMENT OF CONFLICT OF INTEREST

4.1 Identification of conflicts of interest

To understand what would constitute a conflict of interest, it is important to understand what does NOT constitute a conflict of interest.

An FSP or its representative may ONLY receive or offer the following financial interest from or to a third party:

1. Commission authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) or the Short-term Insurance Act, 1998 (Act No. 53 of 1998);
2. Commission authorised under the Medical Schemes Act, 1998 (Act No. 131 of 1998);
3. Fees authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998), the Short-term Insurance Act, 1998 (Act No. 53 of 1998) or the Medical Schemes Act, 1998 (Act No. 131 of 1998);
4. Fees for the rendering of a financial services in respect of which commission or fees referred to as per the above is not paid, if:-
 - a. The amount, frequency, payment method and receipt of those fees and details of the services provided by the FSP or its representative exchange for the fees are specifically agreed to by a client in writing; and
 - b. Those fees may be stopped at the discretion of that client;
7. Subject to any other law, an immaterial financial interest; which include:-
 - Any financial interest with a determinable monetary value not exceeding R1 000.00 per representative/key individual in any given year; including promotional items and events such as
 - Sporting events, for example golf days
 - Hospitality, for example meals or social events
 - Personal gifts for end-of-year functions, birthdays or anniversaries
 - Training that is not restricted to a selected group of FSPs and representatives on products and legalities thereof; general financial and industry information; specialised technological systems (of a third party) necessary rendering a financial service;
 - Lunch or beverages provided during training sessions incidental to the sessions and not the focus of the session;

5. Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered;
6. Fees or remuneration for the rendering of a service to a third party;
8. A financial interest, not referred to in 1 – 4 above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that FSP or representative at the time of receipt thereof.

A FSP may NOT OFFER any financial interest to a representative of that FSP:-

- ✗ That is determined with reference to the quantity of business secured for the FSP without also giving due regard to the delivery of fair outcomes for clients:-
 - Be able to demonstrate that the determination of any entitlement to the financial interest takes into account measurable indicators relating to the
 - Achievement of minimum service level standards
 - Delivery of fair outcomes for clients
 - Quality of compliance with FAIS
 - As agreed between the FSP and the representative and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the FSP over the fair treatment of clients.
- ✗ For giving preference to a specific product supplier, where a representative may recommend more than one product suppliers to a client; or
- ✗ For giving preference to a specific product of a product supplier, where a representative may recommend more than one product of the product supplier to a client.



The purpose of business gifts and entertainment is to create goodwill and nurture sound working relationships, rather than to gain any unfair advantage with clients. Reasonable business entertainment and customer gifts of immaterial financial interest are permitted, including promotional events, provided that the offer is consistent with usual business practice and cannot be viewed as a bribe or a payoff and certainly cannot be in violation of this policy.

The following factors may be considered when taking the above into consideration, assessing whether an actual or potential conflict of interest exists, or may arise other than for the situations as set out above:

1. Whether the FSP and/or representative is likely to **make a financial gain or avoid a financial loss**, at the expense of the client;
2. Whether the FSP and/or representative has an interest in the outcome of the financial service provided to the client or in a transaction carried out on behalf of the client, which is **distinct from that client's interest in that outcome**;
3. Whether the FSP and/or representative has a **financial or other incentive** to favour the interest of a third party, potential client or group of clients over the interests of an existing client.

Refer to **ANNEXURE D** for a flowchart to assist in the identification of conflicts of interest. Once a conflict has been identified it needs to be appropriately and adequately managed.

All representatives are responsible for ensuring that any financial interest received or offered is recorded in the Financial Interest Register or which is available on the premises should a client wish to obtain further details. Representatives are responsible for ensuring that they do not exceed the prescribed limit as detailed above.

4.2 Measures to avoid and mitigate conflicts of interest

The following measures are put in place to avoid and mitigate conflicts of interest in the FSP:

- ✓ Ensuring that all **staff are trained on and made aware** of the implications of conflict of interest and what it entails (refer to **ANNEXURE H**);
- ✓ Conducting **regular reviews of commission and fees** received and ensuring that they fall within the limitation as set out as acceptable
- ✓ Conducting **regular reviews of other financial interests received** and ensuring that the Register on Conflict of Interest is updated
- ✓ Ensuring that the **Introduction/Disclosure Letter discloses** the existence of a policy regarding the management of conflict of interest and the existence of a register on conflict of interest and how it may be accessed
- ✓ An employee or a representative will complete the **Staff And Representative Declaration: Financial Interest And Gifts Declaration Form** annually (refer to **ANNEXURE E**)
- ✓ A representative must at a specific or the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client. The disclosure must include:
 - measures taken, in accordance with the Conflict of Interest Management Policy to avoid or mitigate the conflict;
 - Any ownership interest or financial interest, other than an immaterial financial interest, that the FSP or representative may become eligible for;
 - the nature of any relationship or arrangement with a third party that gives rise to a conflict of Interest, in sufficient detail to a client to enable a client to understand the exact nature of the relationship or arrangement and the conflict of interest
- ✓ The Conflict of Interest Register (refer to **ANNEXURE A**) will be kept for recording of all possible interests that may result in conflict. It will be available for viewing on request. The register identifies all conflicts as well as the mitigation controls put in place to manage the conflict. The register is updated when a conflict becomes apparent, but reviewed at least on an annual basis.
- ✓ The Personal Interest Register (refer to **ANNEXURE F**) will be kept for recording of all possible personal interests that may result in conflict or impairment in judgement. The register should be completed by every employee or representative and it will contain business interests of that person to the extent that such business interest might cause an actual or perceived conflict of interest.
- ✓ The Gift Register will be kept for recording of all gifts received by every employee or representative, whatever the size or value that may result in conflict of interest or impairment in judgement. The register will also provide for any gifts given by the FSP to any clients. (Refer to **ANNEXURE G**)
- ✓ All employees and Representatives are required to read this policy and complete a disclosure of conflict of interest form. They also need to sign a Declaration form that they have read and fully understand the provisions of the document and the application thereof. (Refer to **ANNEXURE E**)
- ✓ Staff Performance Reviews are to be conducted on a regular basis with the intention to identify that as a minimum an employee performs up to the expected levels of service and carry the positive company culture when dealing with stakeholders specifically clients. Data collected through the performance reviews is collated and used by senior management when deciding on the appropriate levels of reward and remuneration of employees.

4.3 Managing conflicts of interest

If it has been established that a particular situation or activity gives rise to a conflict of interest, the first action would be to avoid that situation or refrain from the activity. However, if it is not possible to avoid, the key individual must ensure that the effect of such conflict is mitigated by putting the necessary measures in place.