



CONFLICT OF INTEREST MANAGEMENT POLICY

Basis of representatives' financial interest:

The policy specifies the type of and the basis on which a representative will qualify for a financial interest that the provider will offer a representative and motivate how that financial interest complies with section 3A(1)(b). This does not apply to the business model applicable to Finfocus Financial Planners (Pty) Ltd.

This FSP's representatives qualify for the following type(s) of financial interest:

Commissions as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act

Fees as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered

Fees for the rendering of financial services regarding which the abovementioned commissions and fees are **not** paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client

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

An immaterial financial interest (i.e. a financial interest with a monetary value not exceeding R1000 in any calendar year from the same third party received by a provider who is a sole proprietor, or a representative, for the representative's direct benefit or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives).

There are no "Associates" (apart from family members none of whom is in any way working in the same area where a conflict of interest could arise) in this FSP so no conflict of interests, as stipulated by Section 3A(2)(b)(iii) apply.

There are no "Third party ownership Interests" (as per definition) in this FSP so no conflict of interests, as stipulated by Section 3A(2)(b)(v) apply.

There are no "Third party ownership Interests in the provider" (as per definition) in this FSP so no conflict of interests, as stipulated by Section 3A(2)(b)(vii) apply.

Definitions:

1.1 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:

- (i) influence the objective performance of his, her or its obligations to that client; or
- (ii) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client,

including but not limited to -

- (i) a financial interest;
- (ii) an ownership interest;
- (iii) any relationship with a third party

1.2 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 -

- (i) an ownership interest;
- (ii) 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 accommodations associated with that training

1.3 Immaterial financial interest

Immaterial Financial Interest means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year received by:

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

1.4 Ownership interest: means-

- (i) 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
- (ii) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

1.5 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.

1.6 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 (ii), (iii) and (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 closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act.
 - iii) Which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:
 - had such first-mentioned juristic person been a company;
 - or, in the case where that other 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

1.7 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

In terms of the General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider and a client or the representative and a client.

In order to adhere to this requirement, the FSP must ensure that adequate arrangements are in place for the management of conflicts of interests that may arise wholly or partially, in relation to the provision of any financial services to clients by the FSP, or any Representative of the FSP, as part of the financial services business of the FSP.

2. Purpose of a conflict of interest management policy

The conflict of interest management policy contains the following provisions:

- Mechanisms for the identification of conflicts of interest
- 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
- Measures for the disclosure of conflicts of interest

- The processes, procedures and internal controls to facilitate compliance with the policy
 - Consequences of non-compliance with the policy by the provider's employees and representatives
 - The basis on which a representative will qualify for a financial interest
 - The FSP's associates, parties in which the FSP holds an ownership interest, and all third parties that holds an ownership interest in the FSP
- None of these **APPLY** since there are no such entities involved in the FSP

3. Identifying a Conflict of Interest and the Management Process required

In terms of Section 3A(2)(b)(i)(aa) of the General Code of Conduct, a conflict of interest management policy must provide mechanisms for the identification of conflicts of interest.

Due to the intangible nature of an actual or potential conflict of interest, any such manifestation will only be identified once the subjective realisation of its presence has been acknowledged by an individual. The legal duty to avoid whenever possible an actual or potential conflict of interest is therefore, to a large extent, dependent on whether a particular individual believe or perceive a conflict of interest to begin with. It is for this reason that Key Individuals must apply honest and sage judgement whenever confronted with a situation that may give rise to an actual or potential conflict of interest.

3.1. Representatives or individual identification

Throughout the process of rendering a financial service to a client, a Representative must apply his or her mind to answering the following questions:

- "Is there any situation that exists that influences the objective performance of my obligations to my client"?
- "Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?"
- "Is there any situation that exists that prevents me from acting in the interest of my client?"
 - * if the answer to any one of these questions is "no" - No further action would be required
 - * if the answer to any one of these questions is "yes" - The following two questions must also be answered:
- "Is the situation caused by an actual or potential relationship with a 3rd party"? (see definition of 3rd party)
- "Is the situation caused by an actual or potential financial or ownership interest"? (see definition of financial and ownership interest)
 - *if the answer to any one of these questions is "yes" - An actual or potential conflict of interest has been identified

(note that a conflict of interest is not limited to a financial or ownership interest)

2. Key Individuals

Throughout the process of rendering a financial service to a client, a Key Individual must apply his or her mind to answering the following questions:

- "Is there any situation that exists that influences the objective performance of the representative's obligations to his or her client"?
- "Is there any situation that exists that prevents the representative from rendering an unbiased and fair financial service to his or her client"?
- "Is there any situation that exists that prevents my representative from acting in the interest of

his or her client"?

*If the answer to any one of these questions is "non - No further action would be required

*If the answer to any one of these questions is "yes" - The following two questions must also be answered:

- "Is the situation caused by an actual or potential relationship of the FSP with a 3rd party? (see definition of 3rd party)
- "Is the situation caused by an actual or potential financial or ownership interest of the FSP"? (see definition of financial and ownership interest)

*If the answer to any one of these questions is "yes" - An actual or potential conflict of interest has been identified

(note that a conflict of interest is not limited to a financial or ownership interest)

3.2 Further guidance notes on 'objective performance', 'unbiased and fair' and financial interest'

The contextual definition of the terms "influences the objective performance" and "unbiased and fair financial services" are not to be found within legislation and its interpretive meaning must therefore be sourced from elsewhere.

It is generally accepted that the word "objective" refers to a situation where an individual's personal feelings or opinions are completely removed from the equation. The "objective performance" of an FSP's obligations therefore implies a situation where financial services are rendered without the influence of unrelated feelings or opinions. In the same vein, "unrelated feelings and opinions" denote separate, external persuasions or motivations where no causal link or nexus can be found between the particular feeling or opinion and the financial service that is rendered within the best interests of the client. Put differently, if an unrelated feeling or opinion of an individual, influences the performance of such said individual's obligations, it cannot be said to be an objective performance of that individual's obligation.

The word "bias" indicates an inclination or prejudice in favour of a particular person or viewpoint. Similarly, the word "fair" indicates a situation of just circumstances or treating people equally.

Unbiased financial services therefore imply financial services that do not lend itself to a particular preference towards a person or viewpoint, if an accompanying, reasonable justification for such preference cannot be found. Consequently, all unbiased financial services must necessarily comprise services that are capable of being motivated by readily discernable, logical reasons and explanations. "Fair" financial services on the other hand imply a situation where the same conclusion or outcome is consistently reached given the same exact set of circumstances. In other words, financial services cannot be said to be fair if a pattern of favouritism begin to present itself vis-a-vis a particular person or service. Any unexpected inconsistencies towards a group of clients and/or a particular client must therefore again, have to be motivated by logic reasons and explanations.

A provider or its representatives may only receive or offer the following financial interest from or to a third party:

- **Commissions** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act
Fees as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered.
- **Fees** for the rendering of financial services in respect of which the abovementioned commissions and fees are not paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client.
- **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

- **An immaterial financial interest** (i.e. a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by - a provider who is a sole proprietor, or a representative for that representative's direct benefit, or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.)
- **A financial interest not referred to above**, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

A FPS will not offer any financial interest to a representative of that provider for:

- Giving preference to the **quantity of business** secured for the provider to the exclusion of the quality of the service rendered to clients
- Giving preference to a **specific product supplier**, where a representative may recommend more than one product supplier to a client
- Giving preference to a **specific product of a product supplier**, where a representative may recommend more than one product of that product supplier to a client

3.3. Internal controls to identify conflicts of interest

The mechanisms implemented to identify actual or potential conflicts of interest for the FPS are:

- The governing body of the FPS conducts reviews on all contracts held with 3rd parties to check whether this relationship influences the FPS's objective performance towards its clients, or its ability to render fair & unbiased financial services towards its clients, or the FPS's ability to act in the interest of the client, to check whether an ownership interest is present & whether this relationship influences the FPS's performance towards its clients
- All employees disclose in writing on an ongoing basis, any conflicts of interest they become aware of
- Representatives sign declarations confirming the absence of conflicts of interest

4. Avoidance and mitigation of a conflict of interest

In terms of Section 3A(2)(b)(i)(bb) of the GCC a conflict of interest policy must provide measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measure for the mitigation of such conflicts of interest.

Once an actual or potential conflict of interest has been identified the following measures will be followed in order to determine whether the conflict of interest is avoidable:

- The governing body of the FPS will convene and review the actual or potential conflict of interest in an open and honest forum:
- All information surrounding the actual or potential conflict of interest must be disclosed to all interested parties
- All information surrounding the actual or potential conflict of interest must be disclosed to the FPS's Compliance Officer
- The following consequences must be considered during the review process:
 - The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the FPS as well as on its clients
 - The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the integrity of the financial services industry
 - The governing body must apply its mind to avoid conflicts of interest, even if that implies finding different product providers

If the conflict of interest is avoidable, the following processes will be adhered to:

- The governing body must approve, by a majority vote, the removal of the underlying cause of the actual or potential conflict of interest
- The underlying cause of the actual or potential conflict of interest must be removed as soon as reasonably possible
- Any negative impact on clients owing to the removal of the actual or potential conflict of interest must be kept to a minimum
- The reason(s) why the actual or potential conflict of interest was determined to be avoidable must be recorded
- All determinations and interventions as it pertains to the avoidance of the conflict of interest must be documented and kept on the compliance file
- Similar situations that give rise to actual or potential conflicts of interests must be avoided in the future

If the governing body of the FSP has determined that the actual or potential conflict of interest is unavoidable, the following mitigation processes must be adhered to:

- The governing body of the FSP will convene and review an appropriate mitigation process given the unavoidability of the particular set of circumstances
- The reason(s) why the actual or potential conflict of interest is considered to be unavoidable must be recorded and kept on the compliance file
- The FSP's compliance officer must be made aware of the conflict's unavoidability as well as the reasons for such said unavoidability.

The mitigation process will include the adoption of the following measures:

- The actual or potential conflict of interest must remain only for as long as it is absolutely necessary given the unavoidability of the actual or potential conflict of interest
- Alternative arrangements to a proposed transaction, contract or arrangement that is the subject of the conflict of interest must be investigated on a continuous basis
- The rendering of financial services must at all times be conducted to the best interest of the client
- All representatives must be aware of actual or potential conflicts of interest and the reasons for unavoidability
- Full disclosure of actual or potential conflicts of interest must be made to the client as soon as possible and to the FSCA during the FSP's annual compliance report

5. Disclosure of conflicts of interest

In terms of Section 3A(2)(b)(i)(cc) of the General Code of Conduct, a conflict of interest management policy must provide measures for the disclosure of conflicts of interest.

The FSP must make appropriate disclosures to third parties including clients, as part of its arrangement to manage conflicts of interest. It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. The FSP is therefore committed to ensure that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them.

It is furthermore acknowledged that, whilst a clearly identified conflict of interest will not necessarily cause the provision of financial advice to a client to be significantly compromised, it should nonetheless be disclosed to the client. The client must be afforded the opportunity to decide for him/herself whether the conflict of interest is significant and to what extent he/she will rely on the advice or intermediary service.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavoidability, the following disclosure processes will be implemented on behalf of the

FSP:

- Full disclosure of the actual or potential conflict of interest must be made to all the Key Individuals of the FSP and where such information is provided orally, the FSP must confirm such information in writing within 30 days
- Full disclosure of the actual or potential conflict of interest must be made to all representatives of the FSP.
- Full disclosure of the actual or potential conflict of interest must be made to the compliance officer of the FSP.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavailability, the following disclosure processes will be implemented on behalf of the client:

- Full disclosure of the actual or potential must be made to the client at the earliest reasonable opportunity.
- The disclosure must be made before or when the financial service is provided, but in any case at a time that allows the client a reasonable time to assess its effect
- The disclosure must be formulated in such a way as to be considered prominent, specific and meaningful to the client
- The disclosure must be made in such a way as to allow the client to make an informed decision as to whether to continue with the financial services
- The disclosure must indicate the nature of the relationship or arrangement with a 3rd party that gives rise to the conflict of interest
- The disclosure must indicate whether the conflict of interest is based on a financial and/or ownership interest
- The disclosure must indicate any ownership interest held with a product supplier in accordance with section 4(1)(d) of the General Code of Conduct
- Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days of such said disclosure
- The written disclosure must be communicated by hardcopy, telefax or any appropriate electronic medium that is accurately and readily reducible to written or printed form
- The written confirmation of the disclosure must be provided by means of standard forms or format, in a clear and readable print size, spacing and format
- The reasons for the conflict of interest's unavailability must be made available to the client on request
- The conflict of interest policy must be made available to the client on request
- The FSP's gift register must be made available to the client on request

6. Compliance measures and facilitation of compliance with the policy

In terms of Section 3A(2)(b)(i)(dd) of the General Code of Conduct a conflict of interest management policy must provide processes, procedures and internal controls to facilitate compliance with the policy.

The **processes** associated with the implementation and continued compliance of the conflict of interest management policy must be performed by the **governing body of the FSP as well as the appointed Compliance Officer**

Internal controls and processes include the following:

- The governing body of the FSP will ensure that the policy is kept on the compliance file, and the appointed Compliance Officer will confirm its adoption as part of the FSP's **regular** feedback report
- The governing body of the FSP will ensure that **all relevant staff sign** the policy, and the appointed Compliance Officer will confirm such signature as part of the FSP's regular feedback report

- The governing body of the FSP will ensure that **the annexure section** of this policy is **completed**, and the appointed Compliance Officer will confirm such completion as part of the FSP's regular feedback report
- The governing body of the FSP will ensure **the regular review** of all contracts held with 3rd parties, and the appointed Compliance Officer will confirm such review as part of the FSP's feedback report
- The governing body of the FSP will ensure that all declarations confirming the presence or absence of any actual or potential conflict of interests are signed on a regular basis, and the appointed Compliance Officer will confirm such declarations as part of the FSP's feedback report
- The governing body of the FSP will ensure that a list of all the **FSP's associates (where applicable)** is available on the Compliance folder and updated as needed. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report
- The governing body of the FSP will ensure that a list of all the parties in which the **FSP holds an ownership interest (if applicable)** is attached hereto and updated regularly as needed. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report.
- The governing body of the FSP will ensure that a **list of all third parties (if applicable)** that holds an ownership interest in the FSP is available on the Compliance folder and updated as needed. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report
- The governing body of the FSP will ensure **that if any gifts received from 3rd parties**, with an estimated value of R1000 or more, such **gifts** are recorded in the FSP's gift register. The appointed Compliance Officer will confirm that such register is in place as part of the FSP's regular feedback report.
- The governing body of the FSP will ensure that **all records** associated with the identification of actual or potentials conflicts of interest are kept on the compliance folder. The appointed Compliance Officer will confirm such records as part of the FSP's feedback report.
- The governing body of the FSP will ensure that the **proper disclosure requirements (if applicable) are communicated to the client**. The appointed Compliance Officer will confirm such disclosures as part of the FSP's feedback report

The policy will be:

Overseen by the governing body of the FSP who carry the responsibility for the implementation, reviewing and updating of the policy's associated processes.

- Reviewed regularly, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest
- Regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest.

7. The Consequences of Non-Compliance

In terms of Section 3A(2)(b)(i)(ee) of the General Code of Conduct a conflict of interest management policy must provide for the consequences of non-compliance with the policy by the FSP's employees and representatives.

If there is reason to believe that an employee or a representative has failed to disclose actual or possible conflicts of interest, the FSP's governing body shall afford that person the opportunity to explain the alleged failure to disclose.

If after hearing the response of the employee or representative and making further enquiries as may be warranted in the circumstances, and where the governing body of the FSP determines that the employee or representative has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ANNEXURE A (list of Associates) does not apply

ANNEXURE B (list of ownership interests) does not apply

ANNEXURE C (list of ownership interests by 3rd parties) does not apply

ANNEXURE D

Type of financial interest and entitlement thereto

Basis of representatives' financial interest

In terms of Section 3A(2)(b)(ii) of the General Code of Conduct, a conflict of interest management policy must specify the type of and the basis on which a representative will qualify for a financial interest that the provider will offer a representative and motivate how that financial interest complies with section 3A(1)(b).

The type(s) of financial interest for which the FSP's representatives qualify, are the following:

- **Commissions** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act
- **Fees** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered.
- **Fees** for the rendering of financial services in respect of which the abovementioned commissions and fees are not paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client.
- **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
- **An immaterial financial interest** (i.e. a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by - a provider who is a sole proprietor, or a representative for that representative's direct benefit, or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.)
- **A financial interest not referred to above**, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.