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## **FAIS CONFLICT OF INTEREST MANAGEMENT POLICY**

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### **1. Introduction**

In terms of the General Code of conduct for Financial Services Providers and representatives' 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;"*

The FSP and its representatives are committed to treating customers fairly principles or outcomes and having an organisation that is customer-centric, it is important to avoid conflict of interest. However, where it is not possible to avoid conflict of interest FSP will ensure that the risk is mitigated.

## **2. Scope / Application**

Section 3A(2) of the General Code of Conduct requires that each Financial Services Provider adopt, maintain and implement a conflict of management policy that complies with the provisions of the Act. The policy is applicable to all employees (directors, representatives, associates etc) of the Financial Services Provider.

The aim of the policy is to demonstrate how the FSP will manage conflicts of interest that may arise during rendering financial services to clients. It further seeks to adopt measures to:

- Identify conflicts of interest;
- Avoid conflict of interest and if not provide reasons why conflict of interest is unavoidable;
- Mitigate conflict of interest; and
- Disclose conflict of interests.

The General Code of Conduct further requires the FSP to:

- 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);
- List of associates;
- List of third parties in which ownership interest is held (either by or in the provider) as well as nature and extent of ownership.

Lastly, it will set out processes, procedures and controls to ensure compliance with the policy and the consequences of non-compliance.

### 3. Measures to identify a conflict of interest

Identifying a conflict of interest is the responsibility of each employee of the FSP and it is thus important to understand various definitions relating to conflict of interest:

<p><i>"Conflict of Interest"</i> <i>("COI")</i></p>	<p>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,</p> <ul style="list-style-type: none"> <li>(a) influence the objective performance of his, her or its obligations to that client; or</li> <li>(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,</li> </ul> <p>including but not limited to—</p> <ul style="list-style-type: none"> <li>(i) a financial interest;</li> <li>(ii) an ownership interest;</li> <li>(iii) any relationship with a third party;</li> </ul>
<p><i>"Financial interest"</i></p>	<p>means any cash, cash equivalent—</p> <ul style="list-style-type: none"> <li>(a) an ownership interest;</li> <li>(b) training, that is not exclusively available to a selected group of providers or representatives, on—</li> <li>(i) products and legal matters relating to those products;</li> <li>(ii) general financial and industry information;</li> <li>(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;</li> </ul>
<p><i>"Immaterial financial interest"</i></p>	<p>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—</p> <ul style="list-style-type: none"> <li>(a) a provider who is a sole proprietor; or</li> <li>(b) a representative for that representative's direct benefit;</li> <li>(c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;</li> </ul>
<p><i>"ownership interest"</i></p>	<p>means—</p> <ul style="list-style-type: none"> <li>(a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person; and</li> </ul>

	(b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest
<i>"third party"</i>	<p>means—</p> <ul style="list-style-type: none"> <li>(a) a product supplier;</li> <li>(b) another provider;</li> <li>(c) an associate of a product supplier or a provider;</li> <li>(d) a distribution channel;</li> <li>(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;</li> </ul>
<i>"associate"</i>	<ul style="list-style-type: none"> <li>(a) in relation to a natural person, means— <ul style="list-style-type: none"> <li>(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;</li> <li>(ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;</li> <li>(iii) a parent or step-parent of that person;</li> <li>(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;</li> <li>(v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);</li> <li>(vi) a person who is in a commercial partnership with that person;</li> </ul> </li> <li>(b) in relation to a juristic person- <ul style="list-style-type: none"> <li>(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;</li> <li>(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;</li> <li>(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— <ul style="list-style-type: none"> <li>(aa) had such first-mentioned juristic person been a company; or</li> <li>(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;</li> </ul> </li> <li>(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;</li> </ul> </li> <li>(c) in relation to any person—</li> </ul>

	<p>(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;</p> <p>(ii) includes any trust controlled or administered by that person.</p> <p>[Definition inserted by section 2(a) of Board Notice 58 of 2010]</p>
<p>"distribution channel"</p>	<p>means—</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>[Definition inserted by section 2(b) of Board Notice 58 of 2010]</p>

The General code of conduct states that a provider (namely an authorised financial services provider and/or a representative) *must always render financial services honestly, fairly, with due skill, care and diligence and in the interest of the clients and the integrity of the financial services industry.*

It is the responsibility of each employee to ensure that he/she conducts him or herself in such a professional manner and the responsibility to identify possible or actual conflict of interest during the rendering of financial services rests with each employee of THE WEALTH ROOM.

In addition to the above THE WEALTH ROOM will implement the following measures to identify conflict of interest, the list is not exhaustive:

- Providing training to all employees in relation to conflict of interest and the identification of conflict of interest;
- Obtaining and reviewing conflict of interest declarations;
- Monitoring and recording gifts/financial interest offered of received by the FSP or representative or staff members;
- Regularly review contracts with third parties to assess whether the relationship with the third party poses a conflict of interest;
- Review and list third parties holding and an ownership interest in the FSP as well as the extent and nature of ownership interest;
- Review and update the list of associates.

#### **4. Measures to avoid and mitigate a conflict of interest**

Once a conflict of interest, whether actual or potential, has been identified the person that has identified the conflict of interest must report it to his or her immediate manager. The FSP, senior management or person with the highest authority within the FSP will be required to deliberate whether the conflict of interest should be avoided and the measures that will be implemented to avoid the conflict of interest. The FSP, senior management or person with the highest authority within the FSP may consult with the FSP compliance officer for guidance or clarification on whether a conflict of interest exists and if so what the impact will be on the clients if the conflict of interest is not avoided and how the conflict of interest can be mitigated if the FSP is not in a position to avoid the conflict of interest.

The decision must be recorded and the FSP will be required to give reasons and record the reasons why the conflict of interest cannot be avoided and the measures implemented to mitigate the conflict of interest.

#### **5. Measures to disclose the conflict of interest**

FSP name is committed to ensuring that clients are treated fairly and are fully informed about actual or potential conflicts of interest during the rendering of financial services.

In accordance with Section 3(c) &(d) of the General Code of conduct the following information surrounding conflict of interest should be disclosed to the client in writing at the earliest reasonable opportunity:

- The conflict of interest in respect of that client;
- Measures that the FSP or representative are taking to avoid or mitigate the conflict as prescribed by the organisation's conflict of interest management policy;
- The ownership interest or financial interest that the FSP or representative may obtain (this does not include immaterial financial interests);
- Describe in sufficient detail any relationship or arrangement with a third party that gives rise to the conflict of interest so that the client will understand the nature of any relationship or arrangement that gives rise to the conflict of interest;
- The organisation's conflict of interest management policy and how the client can access the policy.

The FSP must further disclose the existence of any personal interest in the services or a potential or actual conflict of interest in relation to such services and the steps taken to ensure fair treatment towards the client.

## 6. Processes and procedures and internal controls to ensure compliance with the policy

The FSP will adopt, implement and maintain a Conflict of interest management procedure which will provide for a systematic approach to ensure that all employees comply with the policy. The procedure will provide for:

- Where the Conflict of management policy will be kept and how it may be accessed;
- The process to ensure that all employees (Key Individuals, representatives etc) read and understand the policy;
- Review of the policy;
- Obtain declaration from employees (Key Individuals and representatives);
- Maintaining the gift registers and conflict of interest registers;
- Updating the relevant employee's disclosure document.

## 7. Financial interests

### 7.1 Acceptable financial interests

Section 3A of the General code of good conduct states that a provider or a representative may only receive or offer the following financial interest from or to a third party:

- “(i) commission authorised under the Long-term Insurance Act, 1998 or the Short-term Insurance Act, 1998;*
- (ii) commission authorised under the Medical Schemes Act, 1998;*
- (iii) fees authorised under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998 or The Medical Schemes Act, 1998;*
- (iv) fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (i), (ii) or (iii) is not paid, if —*
  - (aa) the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and;*
  - (bb) those fees may be stopped at the discretion of that client;*
- (v) 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;*
- (vi) subject to any other law, an immaterial financial interest; and*
- (vii) a financial interest, not referred to under subparagraph (i) to (vi), 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.”*

## 7.2 Not acceptable financial interests

A financial interest will not be accepted if a provider offers financial interest to a representative or provider in the following circumstances:

- *“That is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or*
- *To giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or*
- *To 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.”*

## 7.3 Representatives entitlement to financial interest

The Amendments to the General Code of Conduct, which came into effect during June 2020, introduces Section 3A(1)(bA):

*“For purposes of subsection (1)(b)(i), a provider must be able to demonstrate that the determination of and entitlement to the financial interest considers measurable indicators relating to the-*

- *(i) achievement of minimum service level standards in respect of clients;*
- *(ii) delivery of fair outcomes for clients;*
- *(iii) quality of the representative’s compliance with this Act;*

*as agreed between the provider 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 provider over the fair treatment of clients.”*

The FSP will adopt measures that will enable the FSP to practically measure the performance of its representatives in relation to:

- Service level standards;
- Fair outcomes for clients;
- Compliance with the Act.

The indicators will be measured, and the representative will be entitled to financial interests taken into account the performance of the representative.

## 7.4 “Reasonably commensurate”

The FSCA has expanded and clarified what reasonable commensurate entails with the Amendment of the General Code of Conduct to include Section 3A(1)(d):

A provider or its representatives may only receive or offer the financial interests referred to in subsections (a)(iii), (iv) and (v) if -

- *those financial interests are reasonably commensurate with the service being rendered, considering the nature of the service and the resources, skills and competencies reasonably required to perform it;*
- *the payment of those financial interests does not result in the provider or representative being remunerated more than once for performing a similar service;*
- *any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and*
- *the payment of those financial interests does not impede the delivery of fair outcomes to clients."*

#### 7.5 Sign-on bonus

<b>"new entrant"</b>	means a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider"
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<b>"sign-on-bonus"</b>	means— <ul style="list-style-type: none"> <li>(a) 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</li> <li>(b) a financial interest referred to in paragraph (a) includes but is not limited to— <ul style="list-style-type: none"> <li>(i) compensation for the— <ul style="list-style-type: none"> <li>(aa) potential or actual loss of any benefit including any form of income, or part thereof; or</li> <li>(bb) the cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or</li> </ul> </li> <li>(ii) a loan, advance, credit facility or any other similar arrangement.</li> </ul> </li> </ul>
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Only a new entrant may receive an incentive in the form of a sign-on bonus to become a representative for a Category I provider / become a Category I provider that may render advice to clients.

#### 7.4 Other

The FSP or its representatives may not deal in any financial product for their own benefit, account or interest where the dealing is based upon advance knowledge of pending transactions for or with

clients, or on any non-public information the disclosure of which would be expected to affect the prices of such product.

## 8. Consequences of non-compliance with the policy

The Policy forms part of the FSP Risk management and compliance programme and is binding on all employees and the whole of the FSP. In the event of non-compliance with this policy, in addition to any civil or criminal consequences, employees will be subject to disciplinary action according to the FSP's disciplinary procedures.

## 9. Maintenance and amendments of the policy

The Policy has been adopted by the sole proprietor/ Board of directors/ governing body of the FSP. The Policy shall be reviewed on an annual basis or from time as required. Any amendments to the policy shall be brought

### Annexure A - List of all associates

1. GRANT VAN ZYL
2. FRANCOIS VAN WYNGAARDT



**Annexure B: FSP ownership interest in third parties**

The following is a list of names of third parties in which the provider holds an ownership interest as well as the extent and the nature of the ownership:

NONE

**Annexure C: Third Party ownership in FSP**

The following is a list of names of third parties who holds an ownership interest in the FSP as well as the extent and the nature of the ownership:

NONE