

MANAGEMENT POLICY ON CONFLICT OF INTEREST

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

Implemented for:



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

DECLARATION BY KEY INDIVIDUAL OF

I, the undersigned, PIETER KRÜGER, 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 my business
- ✓ I will ensure that all staff in my business are trained on the aspects of this legislation and as condensed in this document
- ✓ I will ensure that I will at all times avoid any potential conflict of interest and if not possible, mitigate the severity and impact thereof
- ✓ I will ensure that the registers contained to this policy is updated on at least a quarterly basis
- ✓ I will ensure that this document is updated and reviewed on at least an annual basis.

Signed on this 19th day of JANUARY 2017 at WITBANK

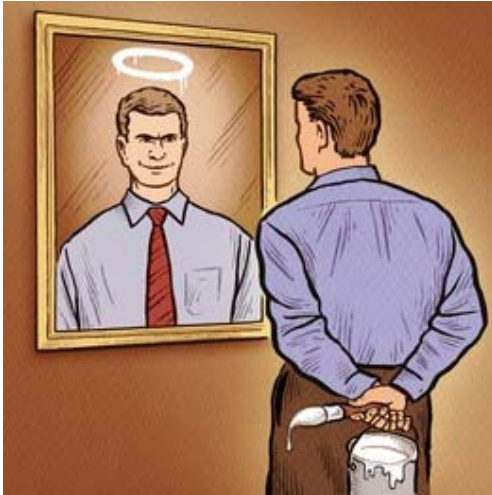
KEY INDIVIDUAL

INDEX

1	Background	4
2	Policy Context	4
2.1	Policy requirement	4
2.2	Purpose of policy	5
2.3	Penalties for non-compliance	5
3	Definitions	5
4	Management of Conflict of Interest	7
4.1	Identification of conflict of interest	8
4.2	Managing conflict of interests	9
5	Revision	10
	Annexure A: Register of Conflicts of Interest	11
	Annexure B: Register of Financial Interests	12
	Annexure C: Register of Ownership Interests	13
	Annexure D: Register of Staff Training	14
	Annexure E: Register of Gifts Given	15
	Annexure F: Register of Gifts Received	16

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 or her official duties.



In the financial services environment a conflict of interest means a situation where a provider 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). The danger is that the representative or provider may be influenced by these considerations without due care to the client and his needs, to the detriment of the client.

KRÜGER BROKERS CC has implemented this policy to ensure that any financial services are rendered in the interest of the clients.

2. POLICY CONTEXT

2.1 Policy requirement

The General Code of Conduct was amended by Board Notice 58 of 2010 to require a financial services provider **KRÜGER BROKERS CC** to adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the FAIS Act and ensures that conflicts of interest are managed appropriately in the business of **KRÜGER BROKERS CC**.

The policy must provide for the management of conflicts of interest and must be adopted by the management of the business. The key individual must ensure that all employees and representatives are aware of the contents of **KRÜGER BROKERS CCs** conflict of interest management policy and that appropriate training is provided.

The key individual must continuously monitor compliance with **KRÜGER BROKERS CCs** conflict of interest policy and conduct a review on an annual basis.

2.2 Purpose of policy

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

KRÜGER BROKERS CC has a duty to act in the customer'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 customers about the conflicts that cannot be avoided.

2.3 Penalties for non-compliance

This policy is applicable to **KRÜGER BROKERS CC**, its employees and representatives. Failure to comply with this policy constitutes misconduct and could result in disciplinary action being taken. In serious cases, such disciplinary action may result in termination of employment and/or debarment with the FSB.

3. DEFINITIONS

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

"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;

"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;

"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;

"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.

4. MANAGEMENT OF CONFLICT OF INTEREST

A provider and a representative must avoid (or mitigate where avoidance is not possible) any conflict of interest between the provider and a client or the representative and the client and section 3(1) (b) and (c) of the General Code of Conduct states the following:

- b) 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;*
- (c) a provider or a representative must, **in writing**, at the earliest reasonable opportunity*
 - (i) **disclose** to a client any conflict of interest in respect of that client, including -*
 - (aa) the **measures taken**, to avoid or mitigate the conflict;*
 - (bb) **any ownership interest or financial interest**, other than an immaterial financial interest, that the provider or representative may be or become eligible for;*
 - (cc) 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 the client to understand the exact nature of the relationship or arrangement and the conflict of interest; and*
 - (ii) **inform a client** of the conflict of interest management policy referred to in section 3A(2) and how it may be accessed.*

4.1 Identification of conflict of interest

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

- **Commission**, in accordance with the Short and Long-term Insurance or Medical Schemes Acts, 1998 (“the STIA, LTIA and MSA”)

- **Fees** as provided for in the STIA, LTIA and MSA
- Fees for rendering a financial service in respect of which neither commission nor the fees provided for in the STIA, LTIA and MSA are payable, provided the **client has specifically agreed to the fees in writing** and has a discretion to stop them at any time
- Any financial interest with a determinable **monetary value not exceeding R1 000.00** per FAIS representative/key individual in any given year
- Financial interest for which the provider or FAIS representative has **paid fair value** or remuneration reasonably commensurate to the financial interest
- **Training that is not restricted** to a selected group of providers and FAIS 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
- Ownership interest, as long as it is disclosed in the conflict of interest register and ownership interest register.
- Promotional items and events, not exceeding R1 000 per representative in any one calendar year:
 - o Sporting events, for example golf days
 - o Hospitality, for example meals or social events
 - o Personal gifts for end-of-year functions, birthdays or anniversaries

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:

- Whether the FSP and/or representative is likely to make a financial gain or avoid a financial loss, at the expense of the client;
- 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;
- 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.

KRÜGER BROKERS CC furthermore confirms that it will not offer any financial interest to a representative for:

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

Once a conflict has been identified it needs to be appropriately and adequately managed.

4.2 Managing conflict of interests

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.

Whatever the outcome may be regarding the management of the conflict, it should be disclosed to the client in writing at the earliest possible opportunity. This applies regardless of whether the decision was made to cease with the relevant activity or continue therewith despite the existence of the conflict or potential conflict.

The following measures can be put in place to avoid and mitigate conflicts of interest in **KRÜGER BROKERS CC**:

- Ensuring that all staff are trained on and made aware of the implications of conflict of interest and what it entails
- 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 Letter discloses the existence of a policy regarding the management of conflict of interest and the existence of a register on conflict of interest.

5. REVISION

This policy document will be reviewed on an annual basis and amended where necessary.

The registers hereto contained will be updated by the key individual and monitored by the external compliance officer on at least a quarterly basis.

REGISTER TO RECORD CONFLICTS OF INTEREST IDENTIFIED FOR **KRÜGER BROKERS CC**

"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

DATE	DESCRIPTION OF CONFLICT IDENTIFIED	REASON THAT NOT AVOIDED	MITIGATING CONTROLS	OUTCOME AND OTHER ACTIONS TAKEN	SIGNATURE

REGISTER TO RECORD FINANCIAL INTERESTS IDENTIFIED FOR **KRÜGER BROKERS CC**

"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

"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

DATE	DESCRIPTION OF FINANCIAL INTEREST	OUTCOME AND OTHER ACTIONS TAKEN	SIGNATURE

REGISTER TO RECORD OWNERSHIP INTERESTS IDENTIFIED FOR **KRÜGER BROKERS CC**

"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

DATE	DESCRIPTION OF OWNERSHIP INTEREST	OUTCOME AND OTHER ACTIONS TAKEN	SIGNATURE

