

CONFLICTS OF INTEREST: FAIS POLICIES & PROCEDURES

Internal procedure of Aspis (Pty) Ltd relating to:

1. Conflicts of interest as provided for in the General Code to the Financial Advisory and Intermediary Services Act (Act 37 of 2002) and described in more detail in Board Notice 58 of 2010 issued by the Financial Services Board.
2. Appointment of a person responsible for management of this policy.
3. Documentation and registers relating to conflicts of interest.

TABLE OF CONTENTS

CHAPTER 1 CONFLICTS OF INTEREST

1. Purpose of policy
2. Definition of conflict of interest
3. Definitions contained in the General Code of Conduct
4. Objectives with the policy
5. Management statement on conflicts of interest
6. Application of the definition contained in the General Code
7. Dealing with conflicts of interest – 2003 General Code
8. Dealing with conflicts of interest – 2010 BN 58
9. Control measures
10. Receipt of gifts
11. Consequences of non-compliance

CHAPTER 2 RESPONSIBLE PERSON

Appointment of person responsible for oversight over policy.

CHAPTER 3 DOCUMENTATION

Registers and forms required to facilitate functioning of policy.

CHAPTER 1: CONFLICTS OF INTEREST

1. Purpose of the policy

The General Code of Conduct for Financial Services Providers requires financial services providers and their representatives to disclose to their clients the existence of actual or potential conflicts of interest.

There needs to be a common understanding of what constitutes a conflict of interest, which direct and indirect benefits need to be disclosed to consumers and how to disclose it. All providers require efficient conflict management policies to ensure that there is no unfair treatment of consumers or rendering of inappropriate financial services by providers. Disclosure of direct and indirect benefits needs to be made in a consistent and transparent manner. Providers should avoid vague and inadequate disclosures.

2. Definition of conflict of interest

A conflict of interest involves the conflicted person to perform his duties, sell his skills or acts in any manner where he does so for own benefit (interest) and to the actual or potential detriment of his employer, client or any other person. Examples are competing with your employer or selling a specific product because there is a hidden benefit for the seller, such as a kickback or undisclosed commission.

A conflict of interest in the financial services scenario is a situation in which financial or other personal considerations have the potential to compromise advice given or influence professional judgement and objectivity. An apparent conflict of interest is one in which a reasonable person would think that the professional's judgment is likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest. It is important to note that a conflict of interest exists, whether or not decisions are affected by a personal interest.

The actual or potential existence of a conflict of interest may in itself not be an undesirable practice. It is imperative to properly disclose the nature and monetary value of such conflict to a client. Such disclosure can be made prior to rendering of financial services or in the record of advice, and should also be recorded in a register. Full disclosure allows a potential client to decide whether, in the client's view, a conflict situation may influence advice provided. The client will therefore be better equipped to assess whether the advice given may be flawed or influenced unduly.

The General Code of the FAIS Act defines conflicts of interest as follows in Section 1:

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, –

- influence the objective performance of his, her or its obligations to that client; or
- 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 –

- a financial interest;
- an ownership interest;
- any relationship with a third party.

3. Definitions of concepts as contained in the General Code of Conduct

The FSB has issued BN 58 of 2010 to eradicate any misconceptions as to what constitutes conflicts of interest and the manner of disclosure thereof.

Associate	If it is a natural person it means: Spouse, life partner, child, adopted child, parent, stepparent, stepchild or spouse of any of the aforementioned. Curator of the natural person. Anybody in a commercial relationship with the person.
	If it is a juristic person it means: If a company it includes its holding company and subsidiaries. If a close corporation – any member thereof. Any person that may direct a company's board of directors. Any trust controlled by an associated person
Company, subsidiary & holding company	Has the meaning ascribed to these concepts in the Companies Act.
Conflict of interest	As described in this policy: Section 2 of Chapter 1
Distribution channel	Support services offered by a product supplier to a provider or providers to render financial services to clients. The arrangement between providers to facilitate their relationship with a product supplier. The arrangement between product suppliers to facilitate their relationship with a provider or providers.
Fair value	Has the meaning ascribed to it in the Companies Act and is a financial reporting standard.
Financial interest	It includes the following: Cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, hospitality, domestic & foreign travel, accommodation, incentive and valuable consideration.

	<p>It excludes:</p> <p>Any ownership interest</p> <p>Training that is not exclusive or for a selected group of persons on aspects such as product training, financial industry information sessions or information technology training relating to the industry. The company that provides the training or pays for it may however not pay for the travel to or accommodation at the training facility.</p>
Immaterial financial interest	The maximum amount of benefits that a representative or sole provider may receive from any specific product supplier or other third party is R 1000 per year. A provider with more than one representative may aggregate the amount received.
Ownership interest	Equity or a proprietary interest in a provider and that was acquired at fair value. Any dividend, profit share or similar benefit that derives from the ownership interest is included. It excludes equity held as an approved nominee on behalf of a person (as a financial service).
Third party	This includes product suppliers (insurers), other FSP's, associate entities of product suppliers, any distribution channel and any other person that provides services to a provider on behalf of any of the aforementioned.

4. Objectives with the policy

1. The company, from a governance perspective, wants to do business where no actual or potential conflicts of interest exists and furthermore, if there is any aspect relating to its business that could potentially give rise to a conflict of interest or where a client may perceive any aspect to be a conflict of interest, to disclose such conflict in a transparent manner and alert clients of such actual or potential conflicts of interest.
2. The company is committed to complying with the standards and prescriptions set out by the Financial Services Board and have adopted this policy.
3. The company requires its employees to be aware of what constitutes such conflicts and, through this awareness, ensure that employees do not find themselves in situations where there may be clashes between own interest and that of the company or a client.
4. The company requires that its employees not compete with it in any manner.

5. Management statement on conflicts of interest

The management of This FSP herewith accepts the company's responsibilities conferred by the FAIS Act and Code as well as its general obligation to transact with clients, potential clients and the public in general in an open and transparent manner.

In order to protect the interests of clients the policy on conflicts of interest sets out to achieve:

- the identification of circumstances which may give rise to actual or potential conflicts of interest entailing material risk of damage to client interests;
- to establish appropriate structures and systems to manage any such conflicts; and
- to maintain systems in an effort to prevent damage to the interests of our clients through identified conflicts of interest.

6. Application of the definition of conflicts of interest

In determining whether there is or may be a conflict of interest to which the policy applies, the company considers whether there is a material risk of damage to the client, taking into account whether the provider, its representative, associate or employee –

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favor the interest of another client, group of clients or any other third party over the interests of the client;

- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

The policy defines possible conflicts of interest as, amongst others:

- conflicts of interest between the provider and the client;
- conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client;
- holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients.

7. Dealing with conflicts of interest under the General Code of Conduct of 2003

These aspects are mostly dealt with in the disclosure notices of providers, the commission disclosures made in quotes and schedules of insurance as well as in the compliance policy of the provider. Although these aspects are prescribed in general terms the onus is still on the provider to decide whether any activity constitutes a conflict of interest and how to disclose it.

SECTION	WORDING
3(1)(b)	A provider and a representative must avoid and where this is not possible to mitigate, any conflict of interest between the provider and a client or the representative and a client.
3(1)(c)	A provider must, in writing, at the earliest reasonable opportunity – disclose to a client any conflict of interest in respect of that client, including – the measures taken, in accordance with the conflict of interest management policy of the provider referred to in subsection 3A(2), to avoid or mitigate the conflict; any ownership , interest or financial interest, other than an immaterial financial interest, that the provider or representative may be or 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 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 and how it may be accessed.
3(1)(d)	The service must be rendered in accordance with the contractual relationship and with due regard to the interests of the client which must be accorded appropriate priority over any interests of the provider.
3(1)(f)	The provider must not deal in any financial product for own benefit , account or interest where the dealing is based upon advanced knowledge.... which would be expected to affect the prices of such product.
4(1)(d)(i)	In terms of a general duty to disclose details of the relationship with product suppliers to clients whether the provider holds 10% or more shares in any product supplier.
4(1)(d)(ii)	In terms of a general duty to disclose details of the relationship with product suppliers to disclose to clients whether the provider received more than 30% of its remuneration from one product supplier over a 12-month period.
7(1)(c)(vi)	A provider must, at the earliest reasonable opportunity, provide, where applicable, full and appropriate information of the following: The nature, extent and frequency of any incentive , remuneration, consideration which will or may become payable to the provider, directly or indirectly, by any product supplier or any person other than the client, or for which the provider may become eligible, as a result of rendering of the financial service.

All representatives and employees have to ensure that these disclosures are made in all instances, in the prescribed format and in a timely manner.

8. Dealing with conflicts of interest – measures under BN 58 of 2010

The following directive applies to fees and commissions payable:

- The provider and its representatives may receive commissions authorised in terms of applicable legislation only.
- The provider and its representatives may only receive fees authorised in terms of applicable legislation, or fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered.
- The provider may only charge fees for the rendering of a service in respect of which commission or fees are not received if such fees are specifically agreed to by a client in writing. Fees may be stopped at discretion of the client. The provider will determine the fees payable and no representative has the authority to determine fees payable or enter into a fee agreement without authorisation.
- The provider and its representatives may receive limited immaterial financial interests.
- The provider may only hold or obtain any financial interest for a consideration or fair value that is reasonably commensurate to the value of the financial interest that is paid by the provider or representative at time of receipt thereof.

The provider will not offer any financial interest to any representative for –

- giving preference to the quantity of business secured for the provider to the exclusion of quality service;
- giving preference to a specific product supplier where more than one supplier can be recommended to a client;
- giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

9. Control measures

The following measures were adopted to manage identified conflicts. These measures are necessary in dealing with any potential conflict of interest to ensure impartially and avoid a material risk of harming any clients' interests.

- Internal processes:

This policy sets out the procedures to manage and curb potential conflicts of interest. Representatives, associates and employees receive guidance and training in these procedures and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with the conflict of interest policy.

- Confidentiality barriers:

Representatives, associates and employees respect the confidentiality of client information. No such information may be disclosed to a third party without the written consent of a client.

- Monitoring:

The key individual in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed annually.

- Disclosure:

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. The monetary value of non-cash inducements will be disclosed to clients in all cases.

- Publication:

The conflict of interest management policy is available for inspection at all offices of the provider, is referred to in the disclosure notice and published on the company's website. It will be published in appropriate media if prescribed by the FSB.

- Report:

The conflict of interest policy is reported on in the annual report submitted to the FSB.

- Identification of conflict of interest:

Employees, representatives and associates will receive training and educational material in order to be able to identify potential and actual conflicts of interest.

- Avoidance of conflict of interest:

This is achieved by:

– ensuring that all employees, representatives and associates have an understanding and adopt the conflict of interest policy and control measures;

– conducting regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance;

– keeping a register of conflicts of interest.

10. Receipt of gifts

Any gift, where the value exceeds one thousand rand (R 1000), received in a consecutive 12 month period from an employee/ any external party/ FSP must be declared to their supervisor who will determine whether such gift constitutes conflict of interest.

The supervisor will decide whether the gift can be accepted or not. 2nd and subsequent gifts (from the same party/person/FSP) will also be declared and a decision will be taken whether the gift constitutes conflict of interest and if the gift can be accepted. All gifts will be noted on the register.

11. Consequences of non-compliance

Any person that fails to adhere to the policy will be subject to disciplinary action. If found guilty on any conflict of interest an employee will be dismissed and if he or she is a representative, debarment procedures have to be instituted and the FSB informed thereof.

CHAPTER 2: RESPONSIBLE PERSON

In order to ensure that The FSP complies with the various Acts and Regulations that governs conflicts of interest and corruption and to protect the rights of whistle-blowers, the company has appointed Paul Bishop as the responsible person.

The responsible person shall maintain all registers associated with this policy, ensure that employees adhere to the prescriptions and methodologies laid down in terms of this policy, update the policy when necessary and ensure proper communication thereof to all existing and new employees.

The policy shall be updated and new measures instituted as required by changes in law and determined by the company's operations. Changes that affect the policy will be communicated by the Financial Services Board, regulatory authorities and the compliance officer to the company.

CHAPTER 3: DOCUMENTATION

The following registers and documentation dealing with conflict of interest situations have been instituted and must be used by personnel at all relevant times:

- Register of gifts received
- Disclosure notice
- Commission disclosure (quotes, presentations and policy documents)
- Honesty and integrity undertaking for representatives.
- Conflict of interest register attached to this document.

CONFLICT OF INTEREST REGISTER

CONFLICT DESCRIPTION	INDIVIDUAL /S INVOLVED IN CONFLICT	OUTCOME OF DISCLOSED CONFLICT/ALTERNATE SUGGESTIONS/RESOLVED CONFLICT