

## CONFLICT OF INTEREST MANAGEMENT POLICY

Date Issued: February 2015

### 1. PURPOSE

The purpose of this Conflict of Interest Management Policy is to outline a suitable approach and response to the identification and management of conflict of interest for Enhance IFA Solutions (Pty) Ltd, hereinafter referred to as Enhance IFA

This policy is intended to comply with the procedures set out in Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives (“Code of Conduct”) gazetted in Board Notice 80 of 2003, and amended by Board Notice 43 of 2008. This policy was adopted by the board of directors of Enhance IFA and is applicable to each operating entity that is an authorised Financial Services Provider (FSP) as defined in the Financial Advisory and Intermediary Services Act (FAIS). Each such FSP must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

### 2. DEFINITIONS

The definitions used in FAIS and the Code of Conduct are brought forward into this policy as defined:

2.1 “Associate” is defined, in the case of a company or FSP, as “any subsidiary or holding company of that company or FSP, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;

2.2 “Conflict of Interest” means any situation in which a FSP or representative of that FSP has an actual or potential interest that may, in rendering a financial services to a client, -

- (a) Influence the objective performance of his/her or its obligation to that client, or
- (b) Prevent a FSP or its representative from rendering an unbiased and fair financial service to that client, or from acting in the best interest of that client, including, but not limited to –
  - (i) A financial interest;
  - (ii) An ownership interest;
  - (iii) Any relationship with a third party

2.3 “Employee” means any permanent or temporary employee, director, officer, independent contractor for the FSP that is an associate of the Enhance IFA group of companies.

2.4 “financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount 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;

2.5 “Immaterial financial interest” means any financial interest with determinable monetary value, the aggregate of which does not exceed R1,000.00 in any calendar year from the same third party in that calendar year received by –

- (a) an FSP that is an associate of the Enhance IFA group of companies; or
- (b) A representative of the FSP in (a) for that representative’s direct benefit;
- (c) A FSP, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representative;

2.6 “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 paragraph (a) to (d) above provides a financial interest to a provider or its representatives”.

### 3. POLICY PRINCIPLES

3.1 In rendering a financial service, the FSP that is an associate of Enhance IFA must ensure that the interest of the client always comes before those of Enhance IFA.

3.2 Where the interest of Enhance IFA come before or prejudices the client’s interest, then a conflict of interest arises.

### 4. RESPONSIBLE PARTIES

Policy applies to the following persons within each authorised FSP that is an associate of Enhance IFA (“FSP”):

- FSP’s directors;
- FSP’s key individuals as defined in the FAIS Act;
- FSP’s representatives as defined in the FAIS Act;
- Any person or persons that can influence the activities of the FSP

## 5. PROCEDURES FOR THE MANAGEMENT OF CONFLICTS OF INTEREST

The FSPs to whom this policy applies are associates or subsidiaries of Enhance IFA Solutions (Pty) Ltd (the “Enhance IFA group of companies”).

Within the Enhance IFA group of companies a diverse range of financial services are offered, including but not limited to asset management, investment advice, implemented consulting and alternative investments.

Given the nature of the business, a potential conflict of interest might be inherent to the business of a particular FSPs or its related parties and thus avoidance of potential conflict of interest might not be possible. To adequately manage such a potential conflict of interest, the FSPs must identify all relevant potential conflicts timeously.

### 5.1 IDENTIFICATION, AVOIDANCE, MITIGATION AND DISCLOSURE

The FSP and its representatives must identify and avoid, and where this is not possible mitigate any conflict of interest between the FSP and a client or the representative and a client.

Where not possible to avoid a conflict of interest, the financial service may still be rendered to a client provided that the following requirements are met:

- a) The FSP’s director and compliance officer have been informed of the conflict of interest and they have signed off acknowledgement thereto;
- b) The client is informed in writing immediately before a transaction is concluded, or if not possible, at the earliest reasonable opportunity, of the conflict of interest in sufficient detail to enable the client to understand the exact nature of the conflict of interest;
- c) The client is informed of the existence of this policy and how the client can access it free of charge;
- d) The client is informed in writing of the measures the FSP or its representative will take in terms of the policy to mitigate the conflict.

### 5.2 FINANCIAL INTERESTS DEEMED PERMISSIBLE

The FSP and its representatives shall be entitled to receive or offer financial interest from or to a third party-

5.2.1 Commission authorised under the Long- Term Insurance Act 52 of 1998 or the Short-term Insurance Act 53 of 1998;

5.2.2 Commission authorised under the Medical Schemes Act 131 of 1998;

5.2.3 Fees authorised under the Long –Term Insurance Act, Short–Term Insurance Act and the Medical Schemes Act, if those fees are reasonable commensurate to a service being rendered;

5.2.4 Fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (5.2.1 – 5.2.3) is not paid, if those fees-

- Are specifically agreed to by a client in writing; and
- May be stopped at the discretion of that client;

5.2.5 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

5.2.6 An immaterial financial interest;

5.2.7 For which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, paid by (or to) the FSP and its representatives at the time of receipt thereof.

5.2.8 The FSP's compliance officer shall monitor compliance with these provisions in quarterly FAIS monitoring procedures and, in conjunction with the director of the FSP, consider and certify to the Financial Service Board in the periodic FAIS Act compliance reports that the income of the FSP for the period under consideration was derived from fees and commissions earned in terms of the provisions of this clause.

#### FINANCIAL INTERESTS DEEMED NON-PERMISSIBLE

The FSP shall not offer any financial interest to its representatives for giving preference to—

5.2.9 the quantity of business secured for it to the exclusion of the quality of the service rendered to clients;

5.2.10 a specific product supplier, where the representative may recommend more than one product supplier to a client;

5.2.11 a specific product of a product supplier where a representative may recommend more than one product of that product supplier to a client;

5.2.12 the FSP's CEO shall sign an annual declaration confirming that the FSP does not offer impermissible financial interest as envisaged in this clause and the FSP's compliance officer must report on this as provided in clause 5.2.8 above.

#### 5.3 IMMATERIAL FINANCIAL INTEREST

Notwithstanding the provisions of this policy, the FSP and any of its representatives may receive or give an "immaterial financial interest" (as defined in the Code of Conduct, other than cash, accommodation or travel which are strictly prohibited) limited to R1,000.00 per representative per year on the following terms:

5.3.1 Receipt of such an immaterial financial interest by any representative must be linked to the entertainment of the representative (e.g. sponsorship of meals, sporting events, corporate gifts, etc.) for the purpose of furthering any business relationships between the FSP and another FSP; and

5.3.2 Giving such an immaterial financial interest by any representative must be linked to the entertainment of another FSP's representative (e.g. sponsorship of meals, sporting events, corporate gifts etc.) for the purpose of furthering any business relationships between the FSP and another FSP.

5.3.3 The representative of the FSP must declare every such immaterial interest given or received by him/her to that FSP's compliance officer who will ensure that the limit as set out in this policy is not exceeded from year to year. The representative bears the responsibility to ensure that he/she does not exceed the limit set in this policy during this period. Gift declarations by representatives need to be recorded in the FSP's gift register following the prescribed format.

5.3.4 The FSP's compliance officer shall monitor compliance by checking the gifts register, eliminating gifts from clients and checking those remaining to ensure they do not exceed the R1,000.00 limit for immaterial interest per annum.

5.3.5 The compliance officer must report on this as provided for in clause 5.2.8.

#### 5.4 TRAINING OFFERED BY OR TO OTHER FSPS OR PRODUCT SUPPLIERS

Notwithstanding the provisions of this policy, representatives may attend, or provide, training organised by, or for, any product supplier or third party FSP's provided that the training-

5.4.1 is not exclusively available to the FSP (or the product suppliers or third party FSP) or its representatives;

5.4.2 is on the products of the product supplier and legal matters relating to those products;

5.4.3 is on general financial and industry information;

5.4.4 is on specialised technology systems of the FSP (or a third party) necessary for the rendering of a financial service;

5.4.5 a clear agenda or programme of the training is supplied to attendees a week before the training; and

5.4.6 does not include travel and accommodation associated with that training.

All representatives of the FSP must declare all training which they were invited to attend (or which) was provided during the year.

The FSP's compliance officer shall monitor compliance with these provisions in quarterly FAIS Code monitoring procedures and report accordingly to the Financial Services Board in the periodic FAIS Act compliance reports. These reports shall include a declaration from the compliance officer that:

a) Where training is offered to representatives of other FSP's, that:

- the training was not available exclusively to that other FSP's representatives;
- it was on the matters referred to as set out in clause 5.4; and
- the FSP did not pay for the travel and accommodation expenses of that other FSP's representatives to attend the training



b) Where the training offered to representatives of the FSP by other FSPs, that:

- the training was not available exclusively to the FSP's employees;
- it was on matters referred to above; and
- the organisers of the training did not pay for the travel and accommodation expenses of the FSP's representatives to attend the training.

## 6. COMPLIANCE AND POLICY MONITORING

6.1 The key individuals of each of the FSP's that are associates of the Enhance IFA group of companies shall ensure that all the relevant FSP's representatives are provided appropriate training and educational material annually on the contents of this policy; such training may be facilitated by the FSP's compliance officer.

6.2 This policy is accessible for public inspection upon request to the FSP.

6.3 The compliance officer of each FSP shall:

6.3.1 Monitor compliance with this policy quarterly by checking the gift register declarations of representatives and that the aggregate sum of any financial interest given to the representatives of other FSPs does not exceed the prescribed annual amount for immaterial financial interest.

6.3.2 Report quarterly to the Enhance IFA board of directors on the implementation, monitoring and compliance contraventions of this policy.

6.4 The compliance officer of the FSP must include the report referred to in clause 5.4 in the periodic compliance reports to the Financial Services Board.

6.5 Notwithstanding the provisions of the policy, the ultimate responsibility to identify non-compliance and enforce compliance with this policy shall remain with the key individuals of each FSP.

6.6 In order to comply with the FAIS Act and Code of Conduct, the relevant FSP may supplement required disclosures to clients as determined in this policy with specific disclosures in terms of the following:

6.6.1 Specification of the type of and the basis on which a representative will qualify for a financial interest that the FSP will offer a representative and motivate how that financial interest complies with the Code of Conduct

6.6.2 Include a list of all its associates

6.6.3 Include the names of any third parties in which the FSP holds an ownership interest

6.6.4 Include the names of any third parties that holds an ownership interest in the FSP

6.6.5 Include the nature and extent of the ownership interest referred to in sub-clauses 6.6.3 and 6.6.4 above.

6.7 The FSP must continuously monitor compliance with its conflict of interest management policy and annually conduct a review of the policy.



## 7. CONTRAVENTION OF THIS POLICY

7.1 Every employee of an authorised FSP that is an associate of the Enhance IFA group of companies is required to know, understand and comply with the standards outlined in this policy and the FAIS Act and Code of Conduct.

7.2 Anyone who violates this policy and/or the Code of Conduct will be subject to Enhance IFA's Disciplinary Policy and Procedure as well as Enhance IFA's Grievance Policy and Procedure.

7.3 Non-compliance with this policy and the Code of Conduct and the procedures described in it may be considered to be misconduct and employees may be subject to disciplinary action.