

# CONFLICT OF INTEREST POLICY

FOR

**Origin Financial Group**

## **GOVERNANCE POLICIES & PROCEDURES**

INTERNAL COMPLIANCE PROCEDURE RELATING TO: Origin Financial Risk Solutions (Pty) LTD FSP Nr : 42990

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.

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## **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 have to 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 act 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 judgment 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, -

- (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.

### 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 <b>natural</b> 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 <b>juristic</b> 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 <b>includes</b> the following: Cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, hospitality, domestic & foreign travel, accommodation, incentive and valuable consideration. It <b>excludes</b> : <ul style="list-style-type: none"> <li>• Any ownership interest</li> <li>• 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.</li> </ul>
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 R1000 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 comply with the standards and prescriptions set by the Financial Services Board and has 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**

Management 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 <b>avoid</b> and where this is not possible to mitigate, <b>any conflict of interest</b> 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 – <ul style="list-style-type: none"> <li>(i) <b>disclose</b> to a client <b>any conflict of interest</b> in respect of that client, including –             <ul style="list-style-type: none"> <li>(aa) the measures taken, in accordance with the conflict of interest management <b>policy of the provider</b> referred to in subsection 3A(2), to avoid or mitigate the conflict;</li> <li>(bb) <b>any ownership</b>, interest or financial interest, other than an immaterial financial interest, that the provider or representative may be or become eligible for;</li> <li>(cc) the <b>nature of any relationship</b> 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</li> </ul> </li> <li>(ii) <b>inform</b> a client of the conflict of interest management <b>policy</b> referred to and how it may be accessed.</li> </ul>
3(1)(d)	The service must be rendered in accordance with the contractual relationship and with due regard to the <b>interests of the client</b> which must be accorded appropriate priority over any interests of the provider.
3(1)(f)	The provider must not <b>deal in any financial product for own benefit</b> , 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 <b>10% or more shares</b> 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 <b>more than 30% of its remuneration</b> 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 <b>incentive</b> , 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.
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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.
- **Declining to act:**  
We will decline to act for a client if we believe that a conflict of interest cannot be avoided.
- **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. Internal conflicts of interest**

Internal conflicts of interest include any situation where an employee, member or officer of the company is placed in a situation where he or she competes with the company.

Examples are where he or she may gain or benefit from a situation at the expense of the company or where an interest in a contract is not disclosed or the employee has an interest in a company that competes with the company or the employee has an interest in a contract between the company and a supplier. A person may also be in a position where he or she may take or influence a decision to his or her advantage, such as obtaining a loan from the company or award a contract. The company requires good faith from its employees and officers and any actual or potential conflict should be disclosed.



## **11. Receipt of gifts**

In order to eradicate any grey areas relating to the receipt of gifts, the company has adopted a policy setting a threshold amount over which all gifts received in the line of duty have to be reported and recorded in a register. Gifts include money, sponsorships, goods, tickets to events, free or partly-paid holidays, rebates, etc. all gifts, irrespective of the value thereof should be reported. Reports are made in a register that is retained by the responsible person. This reporting duty extends to all gifts offered in the line of duty, even if the employee declines such a gift. Gifts that are given at festive times may for instance be innocent, but other gifts from suppliers or prospective suppliers should be viewed with circumspection.

The company may investigate any gift reported in order to ascertain from a risk perspective, whether there was any basis for providing an employee or officer of the company with such a gift, taking into account whether the recipient of the gift is in a position to do something or cause something not to be done or to influence a decision or grant a contract or purchase something. The guideline used is therefore whether there is some form of giving something in return for something else, irrespective of whether there is a time gap between the two events and also whether the relative values of the gift and the benefit differs significantly. It is expected of all employees to take these guidelines into account when any gift is offered.

All gifts given and received must be entered into the relevant registers.

## **12. 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 has to be instituted and the FSB informed thereof.

## **CHAPTER 2: RESPONSIBLE PERSON**

In order to ensure that the provider comply 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 the key individual 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 given
- Register of gifts received
- Disclosure notice
- Commission disclosure (quotes, presentations and policy documents)
- Honesty and integrity undertaking
- Conflict of interest register

- Interim interest declaration
- Annual interest declaration

This policy was approved and adopted by management as official Origin Financial Risk Solutions (Pty) LTD policy in a management meeting held on 20 November 2013  
Signed on this 21 day of November 2013



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**R Geldenhuys**

	NAME OF THIRD PARTY	NATURE OF INTEREST	EXTENT OF INTEREST	DATE ACQUIRED
1				
2				
3				
4				
5				

## CONFLICT OF INTEREST POLICY

I, \_\_\_\_\_, with ID Nr; \_\_\_\_\_, an employee of Origin Financial hereby acknowledge that I have read and understood the conflict of interest management policy of the FSP, and that I acknowledge that I have to comply therewith.

I confirm that I am aware that any failure on my part to comply with the CONFLICT OF INTEREST management policy will lead to disciplinary action against me, which could lead to my summary dismissal.

I further confirm that I have disclosed all instances to the Origin Financial that may be constituted as a possible conflict of interest between myself, Origin Financial and its owner/s as well as clients of Origin Financial as per the declared list below.

I hereby undertake that should I become involved in a venture where a possible conflict of interest may arise or where I become aware of an instance that a conflict of interest might already exist and that I have not yet disclosed, that I will immediately disclose same to the Management of Origin Financial and amend the register attached to the CONFLICT OF INTEREST Policy to ensure that it is updated.

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

\_\_\_\_\_  
REPRESENTATIVE

\_\_\_\_\_  
R Geldenhuys (RESPONSIBLE KEY INDIVIDUAL)

LIST OF THIRD PARTIES IN WHICH I, \_\_\_\_\_ HOLDS AN OWNERSHIP INTEREST