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CONFLICT OF INTEREST MANAGEMENT POLICY

OWNERSHIP:

This policy is owned by **BSG Short Term (Pty) Ltd.** a duly authorised Financial Services Provider (hereunder referred to as the FSP).

As Key Individual of the aforementioned FSP I, **Christelle Viljoen**, hereby confirm the adoption of this policy


A handwritten signature in black ink, appearing to read 'Christelle Viljoen'.

01/07/2018

Key Individual Signature

Date

POLICY ADOPTION:

By signing this document, I acknowledge the FSP's adoption of this policy	
Name & Date	Key Individual Signature
Christelle Viljoen 01/07/2018	

DEFINITIONS:

Conflict of interest: means any situation in which a provider of 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 interest 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 accommodations associated with training

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.

Associate: means –

- a) in relation to a natural person, means –
 - i. a person who is recognised in law on the tenets of religion as the spouse, life partner, or civil union partner of that person;
 - ii. a child of that person, including a stepchild, adopted child and a child born out of wedlock;
 - iii. a parent or stepparent of that person;

- 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;
 - v. a person who is the spouse, life partner or civil union partner of a person referred to in (ii), (iii) and (iv);
 - vi. a person who is in a commercial partnership with that person
- b) in relation to a juristic person,
- 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.
 - ii. which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act.
 - iii. which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:
 - has such first-mentioned juristic person been a company; or
 - in the case where that other person, too, is not a company, had both the first-mentioned juristic person and the other juristic person been a company
 - 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.
- c) in relation to any person,
- 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
 - ii. includes any trust controlled or administered by that person

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

FOREWORD:

In terms of the General Code of Conduct 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.

In order to adhere to this requirement, the FSP must ensure that adequate arrangements are in place for the management of conflicts of interests that may arise wholly or partially, in relation to the provision of any financial services to clients by the FSP, or any Representative of the FSP, as part of the financial services business of the FSP.

The conflict of interest management policy contains the following provisions:

- Mechanisms for the identification of conflicts of interest
- Measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest
- Measures for the disclosure of conflicts of interest
- The processes, procedures and internal controls to facilitate compliance with the policy
- Consequences of non-compliance with the policy by the provider's employees and representatives
- The basis on which a representative will qualify for a financial interest
- A list of all the FSP's associates
- A list of all parties in which the FSP holds an ownership interest
- A list of all third parties that holds an ownership interest in the FSP

MANAGEMENT PROCESS

IDENTIFICATION:

In terms of Section 3A(2)(b)(i)(aa) of the General Code of Conduct, a conflict of interest management policy must provide mechanisms for the identification of conflicts of interest.

Due to the intangible nature of an actual or potential conflict of interest, any such manifestation will only be identified once the subjective realisation of its presence has been acknowledged by an individual. The legal duty to avoid whenever possible an actual or potential conflict of interest is therefore, to a large extent, dependent on whether a particular individual believe or perceive a conflict of interest to begin with. It is for this reason that Key Individuals must apply honest and sage judgement whenever confronted with a situation that may give rise to an actual or potential conflict of interest.

1. REPRESENTATIVES

Throughout the process of rendering a financial service to a client, a Representative must apply his or her mind to answering the following questions:

- “Is there any situation that exists that influences the objective performance of my obligations to my client?”
- “Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?”
- “Is there any situation that exists that prevents me from acting in the interest of my client?”
 - × If the answer to any one of these questions is “no” – No further action would be required
 - × If the answer to any one of these questions is “yes” – The following two questions must also be answered:
 - “Is the situation caused by an actual or potential relationship with a 3rd party?” (see definition of 3rd party)
 - “Is the situation caused by an actual or potential financial or ownership interest?” (see definition of financial and ownership interest)
 - × If the answer to any one of these questions is “yes” – An actual or potential conflict of interest has been identified

(**note** that a conflict of interest is not limited to a financial or ownership interest)

2. KEY INDIVIDUALS

Throughout the process of rendering a financial service to a client, a Key Individual must apply his or her mind to answering the following questions:

- “Is there any situation that exists that influences the objective performance of the representative’s obligations to his or her client?”
- “Is there any situation that exists that prevents the representative from rendering an unbiased and fair financial service to his or her client?”
- “Is there any situation that exists that prevents the representative from acting in the interest of his or her client?”
 - × If the answer to any one of these questions is “no” – No further action would be required
 - × If the answer to any one of these questions is “yes” – The following two questions must also be answered:
 - “Is the situation caused by an actual or potential relationship with a 3rd party?” (see definition of 3rd party)

- “Is the situation caused by an actual or potential financial or ownership interest?” (see definition of financial and ownership interest)
- × If the answer to any one of these questions is “yes” – An actual or potential conflict of interest has been identified

(**note** that a conflict of interest is not limited to a financial or ownership interest)

3. GUIDANCE NOTES ON “OBJECTIVE PERFORMANCE”, “UNBIASED AND FAIR” & “FINANCIAL INTEREST”

The contextual definition of the terms “influences the objective performance” and “unbiased and fair financial services” are not to be found within legislation and its interpretive meaning must therefore be sourced from elsewhere.

It is generally accepted that the word “objective” refers to a situation where an individual’s personal feeling or opinions are completely removed from the equation. The “objective performance” of an FSP’s obligations therefore implies a situation where financial services are rendered without the influence of unrelated feelings or opinions. In the same vein, “unrelated feelings and opinions” denote separate, external persuasions or motivations where no casual link or nexus can be found between the particular feeling or opinion and the financial service that is rendered within the best interests of the client. Put differently, if an unrelated feeling or opinion of an individual, influences the performance of such said individual’s obligations, it cannot be said to be an objective performance of that individual’s obligation.

The word “bias” indicates an inclination or prejudice in favour of a particular person or viewpoint. Similarly, the word “fair” indicates a situation of just circumstances or treating people equally.

Unbiased financial services therefore imply financial services that do not lend itself to a particular preference towards a person or viewpoint, if an accompanying, reasonable justification for such preference cannot be found. Consequently, all unbiased financial services must necessarily comprise services that are capable of being motivated by readily discernible, logical reasons and explanations. “Fair” financial services on the other hand imply a situation where the same conclusion or outcome is consistently reached given the same exact set of circumstances. In other words, financial services cannot be said to be fair if a pattern of favouritism begin to present itself vis-à-vis a particular person or service. Any unexpected inconsistencies towards a group of clients and/or a particular client must therefore again, have to be motivated by logic reasons and explanations.

A provider or its representatives may only receive or offer the following financial interest from or to a third party:

- **Commissions** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act.

- **Fees** as authorised under the Long-term Insurance Act, Short-term Insurance Act and Medical Schemes Act if those fees are reasonably commensurate to a service being rendered.
- **Fees** for the rendering of financial services in respect of which the abovementioned commissions and fees are not paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client.
- **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.
- **An immaterial financial interest** (i.e. a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by – a provider who is a sole proprietor, or a representative for that representative’s direct benefit, or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives).
- **A financial interest not referred to above**, 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.

A provider **may not** offer any financial interest to a representative of that provider for:

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

4. MECHANISMS FOR IDENTIFICATION

The mechanisms implemented to identify actual or potential conflicts of interests for the FSP are:

- The governing body of the FSP conducts quarterly reviews on all contracts held with 3rd parties and re-examines whether this relationship influences the FSP’s objective performance towards its clients.
- The governing body of the FSP conducts quarterly reviews on all contracts held with 3rd parties and re-examines whether this relationship influences the FSP’s ability to render fair and unbiased financial services towards its clients.
- The governing body of the FSP conducts quarterly reviews on all contracts held with 3rd parties and re-examines whether this relationship influences the FSP’s ability to act in the interest of the client.

- The governing body of the FSP conducts quarterly reviews on all relationships held with 3rd parties where an ownership interest is present, and re-examine whether this relationship influences the FSP's ability to render fair and unbiased financial services towards its clients.
- The governing body of the FSP conducts quarterly reviews on all relationships held with 3rd parties where an ownership interest is present, and re-examine whether this relationship influences the FSP's ability to render fair and unbiased financial services towards its clients.
- Declarations are signed by all Key Individuals confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis.
- A list of all the FSP's associates is attached as an annexure hereto and is updated annually.
- A list of all parties in which the FSP holds an ownership interest is attached as an annexure hereto and is updated annually.
- A list of all the third parties that holds an ownership interest in the FSP is attached as an annexure hereto and is updated annually.
- All gifts received from 3rd parties, with an estimated value of R50 or more, are recorded in the FSP's gift register which is kept on the FSP's compliance file.
- All employees must disclose in writing to the governing body of the FSP on an on-going basis, any conflicts of interest that they may become aware of.
- All records associated with the identification of an actual or potential conflict of interests is kept on the compliance file which is available for inspection purposes.

The mechanisms implemented to identify actual or potential conflicts of interests for Representatives are:

- Declarations are signed by all Representatives confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis.

- All Representatives must disclose in writing to the governing body of the FSP on an on-going basis, any conflicts of interest that they may become aware of.

AVOIDANCE AND MITIGATION:

In terms of the Section 3A(2)(b)(i)(bb) of the General Code of Conduct, a conflict of interest management policy must provide measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest.

Once an actual or potential conflict of interest has been identified the following measures will be followed in order to determine whether the conflict of interest is avoidable:

- The governing body of the FSP will convene and review the actual or potential conflict of interest in an open and honest forum.
- All information surrounding the actual or potential conflict of interest must be disclosed to all interested parties.
- All information surrounding the actual or potential conflict of interest must be disclosed to the FSP's Compliance Officer.
- The following consequences must be considered during the review process:
 - × The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on clients
 - × The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the integrity of the financial services industry
 - × The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the FSP
- The governing body of the FSP must apply its mind whether the FSP can obtain a more advantageous transaction, contract or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- If a more advantageous transaction, contract or other arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the governing body of the FSP shall determine by a majority vote whether the transaction, contract or arrangement is in the best interest of the FSP and any affected client/s and accordingly make its decision as to whether to enter into the transaction, contract or arrangement in conformity with such determination.

Signed at _____ on this ____ day of _____ 20__.

Client represented by _____ by way of resolution (attached as Annexure D).

Signature of Client / authorized signatory

Signed at _____ on this ____ day of _____ 20__.

Signature of FSP