

OPTIMATE FINANCIAL SOLUTIONS

CONFLICT OF INTEREST POLICY

1. Introduction

The Financial Sector Conduct Authority requires adherence to the management of conflict in terms of the General Code of Conduct. Certain changes were made to these requirements and in terms of these amendments, all Financial Services Providers (FSP'S) are required to formalise and document detailed policies to ensure that all instances of "Conflict of Interest" will be managed and all associated disclosures are made to clients.

2. FAIS Conflict of Interest

This policy addresses amendments to the Financial Advisory and Intermediary Services Act (herein after referred to as FAIS) General Code of Conduct as published in the Government Gazette of 19th April 2010, as well as amendments to the Act published in February 2014

This policy is also in accordance with the requirements of the General Code of Conduct for authorised Financial Service Providers as published in Board Notice 80 of 2003 and amended by Board Notice No 43 of 2008 and Board Notice No 58 of 2010, as well as the proposed Treating Customers Fairly requirements.

More specifically, it addresses conflict of interests, gifts and financial interests which apply to the FSP and its representatives. This policy is incorporated into the Code of Conduct and all other relevant sections must be taken into consideration when this section is read.

Objective

The aim of this policy is to govern any conflict of interests, gifts or financial interests received/ given within a FAIS related context. This policy only applies to the FSP, to the FSP's representatives and Key Individuals. For the purposes of this document, the FSP referred to is Optimate Financial Solutions.

Scope

This policy is applicable to all FAIS Representatives (also those under Supervision) and Key Individuals of the FSP.



Summary of requirements for which controls are in place

The principles recorded have been aligned to the FAIS Code of Conduct as amended :

- The FSP or a representative must **avoid** all conflict of interests between a product provider and client or representative or client.
- The FSP or a representative must **mitigate** all conflict of interests with regards to a client if it cannot be avoided.
- The FSP or a representative must **disclose** all conflict of interest to a client in respect of that client as soon as possible and in writing including:
 - measures taken to avoid or mitigate the conflict;
 - any ownership interest or financial interest that Optimate or representative may be or
 - become eligible for;
 - the nature of a relationship or arrangement with a third party that gives rise to a conflict of interests, in sufficient detail, so that the client understands the exact nature of the relationship or arrangement and the conflict of interests.
- The FSP or its representatives must **inform** the client of the FSP's Code of Conduct and FAIS Conflict of Interests section contained therein.
- The FSP or its representatives may only **receive** or **offer** the following financial interest; commission and fees for the rendering of financial services authorised under the Long-term Insurance Act, Short-term Insurance Act and Medical Schemes Act;
- fees agreed by the client in writing, if not covered by the above Acts and for the rendering of a financial service. The client may stop these fees at any time;
- fees or remuneration for the rendering of a service to a product supplier and which are commensurate to the service being rendered;
- any immaterial financial interest (not more than a R1,000 per annum, per vendor, and limited to two gifts every six months from the same vendor)
- a financial interest not referred to in the above for which a consideration, fair value or remuneration and which is commensurate, is paid by Optimate or its representatives.

- All fees, commission and remuneration received/paid by Optimate or its representatives must be recorded and audited as per the prescribed procedure.
- All immaterial financial interests received (gifts) must be declared.
- The FSP may not offer financial interest to its representatives or associates for:
 - giving preference to the quantity of business secured to the exclusion of quality of service rendered to its clients; or
 - giving preference to a 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 supplier to a client.

Definitions in terms of the FAIS conflict of interest requirements

“FSP”

Financial Services Provider authorised in terms of the Financial Services and Intermediary Services Act 2002.

“Responsible Person”

A key individual, representative or employee of a Product Supplier or FSP.

“Financial Interest”

A financial interest includes cash, cash equivalent, voucher, gift, services, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, or other incentive, or valuable consideration, other than:

a) an ownership interest

b) training by a product supplier on products, general industry information and technical systems, that is not exclusively available to a selected group of providers or representatives except for travel and accommodation associated with that training.

c) Immaterial financial interest

“Ownership Interest”

- a) an equity ownership interest, for which fair value was paid by the owner, other than equity or ownership interest held by 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.

“Immaterial Financial Interest”

Any 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) a provider, who is a sole proprietor;
- b) a representative for that representative’s direct benefit;
- c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

"Third Party"

- a) a product supplier;
- b) another FSP;
- c) an associate of a product supplier or a FSP;
- d) a distribution channel;
- e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (c) above provides a financial interest to a provider or its representatives.

“Distribution Channel”

- 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.

“Associate”

a) in relation to a natural person, means –

i) a person who is recognized in law or 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 step-parent of that person;

iv) a person in respect of which that person is recognized 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 permanent life partner or spouse or civil union partner of a person referred to in subparagraphs (ii) to (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 close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;

iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person had such first-mentioned juristic person been a

company; or in the case where that other juristic person, too, is not a company, had both the first mentioned juristic person and that 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.

3. Conflict of Interest Defined

Conflict of interest can be described as circumstances where some or all of the interests of clients to whom a financial services provider or product supplier provides financial services or products, are inconsistent with, or diverge from, some or all of the interests of the FSP, its representatives or the product supplier.

It should be understood that the conflicting interest referred to throughout this policy may be direct or indirect (the interest might be that of the Responsible Person, that of another person such as a relative or friend of the Responsible Person, or that of an organization in which the Responsible Person or such other person has an interest).

In determining whether a conflict is involved, judgement needs to be based upon the particular facts for each case.

4. Management of Conflict of Interest

To adequately manage conflicts of interest, the FSP must identify all relevant conflicts timeously.

Once a conflict has been identified it needs to be appropriately and adequately managed. The Key Individual will assess each conflict, whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk.

A decision is then made whether it is worth while pursuing the transaction, and if the conflict is too severe, no further action will be taken to conclude the transaction.

If it is decided that the particular conflict can be managed, controls need to be put in place to manage the conflict. The controls have to be documented in the Conflict of Interest Register.

The FSP has various internal policies and controls in place to manage and mitigate possible conflict of interests:

a) Disclosure of Conflicts

i) A Provider or a Representative will, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client.

The disclosure must include:

- measures taken, in accordance with the conflict of interest management policy to avoid or manage the conflict;
- any ownership interest or financial interest, other than an immaterial financial interest, that the provider of representative may 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 a client to understand the exact nature of the relationship or arrangement and the conflict of interest;

and

ii) a Provider or Representative must inform a client of the conflict of interest management policy and how it may be accessed.

b) Conflict of Interest Register

Open for viewing on request. The register identifies all conflicts as well as the controls put in place to manage the conflict. The register is updated when a conflict is evident, and reviewed annually;

c) Personal Interest Register

Documenting the business interests of a Responsible Person to the extent that such business interest might cause an actual or perceived conflict of interest.

d) Gift Register

Documenting all financial interests and immaterial financial interests offered to or received by a Responsible Person.

e) Comprehensive Training

To be provided on the Conflict of Interest Policy by the Compliance Officer annually

f) Informed Employees

All employees and representatives are required to read this policy and sign a statement to the effect that they have read and fully understand the provisions of the document and the application of the policy.

Employees and representatives must disclose all conflicts of interest (including pre-existing conflicts of interest) annually.

Disclosures must be made prior to undertaking any activity, at the beginning of any negotiations or at the beginning of any decision-making process if a conflict of interest arises or may arise.

The policy will in future form part of the contract with employees and representatives.

Breaches with this policy will give rise to disciplinary steps being taken, the result of which could be dismissal or in the case of representatives, debarment.

5. Where can these potential conflict situations arise within the business?

- With insurers with whom there is a business/ownership relationship
- With other FSP's with whom there is a business/ownership relationship
- With Distribution channels with whom there is a business/ownership relationship
- With any other persons with whom there is a business/ownership relationship
- With any service providers with whom there is a business/ownership relationship
- As a result of employment contracts and remuneration policies
- With any other relevant relationship that may exist within the company

Conflict of Interest Management Policy Declaration

In accordance with the requirements of the General Code of Conduct for authorised Financial Service Providers as published in Board Notice 80 of 2003 and amended by Board Notice No 43 of 2008 and Board Notice No 58 of 2010, I, _____ disclose as follows:

I have no conflict of interest with regard to:

- any financial interest;
- any ownership interests, or
- any relationship with a third party

that might, in rendering a financial service to a client:

- a) influence the objective performance of my obligations to my clients; or
- b) prevent me from providing an unbiased and fair financial service in the interest of my clients.

I have no financial interest, ownership interest or relationship with a third party, that constitutes a conflict of interest, as defined in Board Notice No 58 of 2010, in providing a distribution channel for financial services.

Processes, procedures and internal controls have been put in place to prevent any “immaterial financial interest”, i.e. an incentive with a value in excess of R1000 in any calendar year, being received by the business in the course of providing financial services to its clients.

In the event of an immaterial financial interest in excess of the R1000 being received in any calendar year, this would be disclosed to clients in the Annual Financial Statements, on the website or upon request and disclosed in Compliance Reports of the business.

Signed _____

Date _____