

Policy Name: FAIS Conflict of Interest Management Policy

Level: Standard Bank Group Limited and its subsidiaries (South African operations excluding Liberty Group)

Type: Compliance

Policy Owner: Group Chief Compliance Officer

Approved By: Standard Bank Group Board of Directors

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## 1 Policy Statement

- 1.1 The business of the Group is built on trust and integrity as perceived by our stakeholders, especially our Clients, shareholders and regulators.
- 1.2 An important element of trust and integrity is ensuring that the Group conducts its business in accordance with the values and Code of Ethics that the Group has adopted, in compliance with applicable laws, rules and standards.
- 1.3 The FAIS Conflict of Interest Management Policy (the “Policy”) is designed to comply with the Code and addresses the following:
- 1.3.1 Mechanisms used to identify Conflicts of Interest.
- 1.3.2 Measures for avoidance and mitigation of Conflicts of Interest.
- 1.3.3 Processes and procedures to ensure compliance with this Policy.
- 1.3.4 Consequences of non-compliance with this Policy.
- 1.3.5 Details of the types of Financial Interests that Representative may receive.
- 1.3.6 Basis on which any Financial Interest is received.

## 2 Applicability

This Policy applies to AFSPs and FAIS Affected Employee within the Group, regardless of location or business unit.

## 3 Policy

### 3.1 Overview

The Group supports consumer protection and all measures to improve the integrity of the South African financial services industry and have taken all reasonable steps to ensure that we comply with consumer protection legislation. FAIS is integral in protecting consumers and regulates market conduct within the financial services industry.

### 3.2 Definitions

Words beginning with a capital letter have been defined in section 6.

### 3.3 Compliance

3.3.1 The FSB is a South African regulatory body that oversees compliance with FAIS. As AFSPs, we comply with the requirements prescribed by the FSB.

3.3.2 The Group's compliance function is established as part of its risk management framework. The annual compliance plan includes monitoring of compliance with this Policy by AFSPs. Non-compliance must be reported in line with the normal governance reporting mechanisms.

### 3.4 Conflicts of Interest

3.4.1 A Conflict of Interest may occur when rendering a financial service to an existing or potential customer. Such conflict may occur when the AFSP or a Representative does not act objectively or does not render an unbiased or fair service to an existing or potential customer or does not act in a customer's best interests. A key conflict may occur when a FAIS Affected Employee receives a financial or ownership interest from a Third Party.

3.4.2 In terms of the Code, AFSPs must take all necessary steps to eliminate any practices and/or services that may create a conflict between their own interests and the interests of customers.

3.4.3 This Policy does not change the Group's existing Conflicts of Interest policies and management procedures, but is a supplementary Policy addressing the specific requirements of the Code.

3.4.4 The Group Gifts and Entertainment Policy sets out Immaterial Financial Interests. The Group Gifts and Entertainment Policy requires business areas to keep a register through which all employees must report gifts offered or received. The Business Compliance Officers and the FAIS Compliance Officers have access to the register to facilitate compliance with the requirements of this Policy.

3.4.5 A Conflict of Interest situation must be avoided. Where it is not possible to avoid any act, action or reward that may create a Conflict of Interest, appropriate steps must be taken to mitigate the impact and must be appropriately disclosed to an existing or potential customer at the earliest reasonable opportunity.

### 3.5 Identifying Conflicts of Interest

To identify a Conflict of Interest, the following must be undertaken by AFSPs:

- 3.5.1 An analysis of all distribution models of the AFSPs.
- 3.5.2 An analysis of Third Party relationships within the various AFSPs.
- 3.5.3 A review of the types of Financial Interests received and/or offered.
- 3.5.4 Remuneration models for Representatives must be signed off by the management of the applicable distribution channel and the relevant business area.
- 3.5.5 Appropriate rules must be put in place around the receipt or offering of Immaterial Financial Interests in keeping with the Group Gifts and Entertainment Policy.
- 3.5.6 A regularly review of all disclosures in terms of FAIS to ensure appropriate identification and disclosure of Conflicts of Interest.

### 3.6 Managing Conflicts of Interest

Non-compliance with this Policy must be escalated to the relevant FAIS Compliance Officer and business unit head, together with a recommendation as to the measures to be taken to mitigate the non-compliance.

### 3.7 Contractual relationship

FAIS Affected Employees may not place business with product suppliers outside of their mandate.

### 3.8 Processes and procedures for compliance

#### 3.8.1 The following internal procedures must be followed by AFSPs:

- FAIS Affected Employee must read and familiarise themselves with the Code as well as this Policy, and to ensure that they fully understand the provisions of both documents and their application.
- Provide training and educational material on how Conflicts of Interest may arise and how it can be avoided must be provided to FAIS Affected Employee on an ongoing basis.

### 3.9 Financial Interests

- An AFSP may only receive or offer the following Financial Interests from or to a Third Party:

- Regulated commission or fees under the LTIA.
  - Regulated commission or fees under the STIA.
  - Regulated commission or fees under the MSA.
  - Fees under the LTIA, STIA, and MSA if these fees are reasonably in line with the service being rendered.
  - Any other fees for rendering a financial service for which no commission or fees are payable if such fees are specifically agreed to by a customer in writing and may be stopped at the customer's discretion.
  - Fees or remuneration for rendering a service to a Third Party if such fees are reasonably in line with the service being rendered.
  - Subject to any law, an Immaterial Financial Interest.
  - A Financial Interest for which a consideration, fair value or remuneration that is reasonably in line with the value of the Financial Interest is paid by an AFSP or Representative at the time of its receipt.
- 3.9.1 An AFSP must not offer any Financial Interest to a Representative for:
- favouring quantity of business over quality of service;
  - favouring a specific product of a product supplier, where required to recommend more than one supplier to a customer; and/or
  - giving preference to a specific product over other products of a product supplier.
- 3.9.2 An AFSP must not offer or provide a Sign-on Bonus to any Representative, other than a New Entrant, as an incentive to become a Category I provider that is authorised or appointed to give advice.
- 3.9.3 A Category I provider that is authorised or appointed to give advice may not receive a Sign-on Bonus from any person.

## 4 Roles and Responsibilities

### 4.1 Governance structures

AFSPs must have governance structures in place that require management to ensure compliance with this Policy.

### 4.2 Line Management and Key Individuals

Line Management and Key Individuals are responsible and accountable for the implementation of the requirements of this Policy.

### 4.3 GIA

GIA, in its capacity as the third line of defence, provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, which will include assurance over this Policy. This is achieved through the completion of an annual risk based audit plan. GIA has the authority to independently determine the scope and extent of work to be performed, as mandated by the Group Audit Committee. GIA assists executive management in accomplishing their business objectives by bringing a systematic, disciplined, risk based approach to the evaluation and improvement of the effectiveness of risk management, controls and governance processes.

### 4.4 FAIS Compliance Officers

FAIS Compliance Officers provide ongoing compliance services and monitor compliance with this Policy.

### 4.5 AFSPs

Before benefits are paid to representatives, an AFSP may take the following quantity and quality of business measure into account:

- The size of the Representative's book of business, measured by premiums and assets under management.
- The growth of the Representative's book of business, measured by the amount of business the Representative has introduced successfully during the year.
- Persistence of the Representative's book of business, measured by short- and long-term lapse rates.

- The quality of the Representative's advice to an existing or potential customer.
- The quality of the Representative's advice, measured by the customer's level of satisfaction which is determined by a customer evaluation.

## 5 Disciplinary Action

- 5.1 Non-compliance with this Policy may result in FAIS Affected Employee being subject to internal disciplinary procedures. This may result in the debarment and/or dismissal of FAIS Affected Employee.
- 5.2 An AFSP may also be held liable for compensation for failure to comply with this Policy
- 5.3 Avoidance, limitation or circumvention of this Policy through whatever means will also be seen as non-compliance and may result in the instituting of internal disciplinary procedures.

## 6 Definitions

- 6.1 AFSPs
- Authorised financial services provider licensed under FAIS. The following are authorised financial services providers within the Group:
- 6.1.1 Melville Douglas
- 6.1.2 SBG Securities
- 6.1.3 SBIB
- 6.1.4 SBFC
- 6.1.5 SBSA
- 6.1.6 STL
- 6.1.7 SIL
- 6.2 Business Compliance Officers
- Compliance officer assigned to a business unit
- 6.3 Category I

A type of license issued by the FSB to entities to render advice and intermediary services in terms of FAIS.

#### 6.4 Code

General Code of Conduct for AFSPs and Representatives, published under FAIS.

#### 6.5 Conflict of Interest

A conflict of interest means any situation where an AFSP or Representative has an interest that may arise in rendering a financial service to an existing or potential customer, which influences the objective performance of their obligations to an existing or potential customer or where it prevents the AFSP or Representative from rendering an unbiased and fair financial service to an existing or potential customer. This includes receiving a wide range of financial and non-financial benefit, ownership interests and any relationship with a Third Party.

#### 6.6 FAIS

The Financial Advisory and Intermediary Services Act, 37 of 2002.

#### 6.7 FAIS Affected Employee

A FAIS Affected Employee includes employees authorised to act on behalf of an AFSP, Representatives (as well as Representatives under supervision) and Key Individuals.

#### 6.8 FAIS Compliance Officer

A compliance officer appointed by an AFSP in terms of section 17 of FAIS.

#### 6.9 Financial Interest

A financial interest includes cash, cash equivalent, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorships, other incentives or valuable consideration other than:

6.9.1 an ownership interest which is an equity or proprietary interest acquired for fair value and includes dividends, profit share and similar benefits; and/or

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



- 6.10 FSB
- Financial Services Board
- 6.11 Group, we, our, us
- Standard Bank Group Limited (including its subsidiaries), excluding Liberty Holdings Limited.
- 6.12 GIA
- Group Internal Audit
- 6.13 Immaterial Financial Interest
- An immaterial financial interest means any financial interest with a determinable monetary value, the aggregate of which is not more than R1 000 in any calendar year from the same Third Party in that calendar year received by:
- 6.13.1 a provider who is a sole proprietor; or
- 6.13.2 a Representative for that Representative's direct benefit; or
- 6.13.3 a provider, who for its benefit or that of some or all of its Representatives, aggregates the immaterial financial interest paid to its Representatives.
- 6.14 Key individual
- A key individual in relation to an AFSP means any natural person responsible for managing or overseeing, either alone or together with other responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service.
- 6.15 LTIA
- Long-Term Insurance Act, 52 of 1998.
- 6.16 Melville Douglas
- Melville Douglas Investment Managers (Pty) Ltd (Licence number 595).

- 6.17 MSA
- Medical Scheme Act, 131 of 1998.
- 6.18 New Entrant
- A person who has never been authorised as a financial services provider or appointed as a Representative by any financial services provider.
- 6.19 Provider
- An AFSP, and includes a Representative.
- 6.20 Representative
- A representative means any person who renders a financial service to a customer for or on behalf of an AFSP in terms of conditions of employment or any other mandate.
- 6.21 Sign-on Bonus
- Includes any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a Provider. A financial interest referred to in this paragraph includes but is not limited to:
- 6.21.1 compensation for the:
- potential or actual loss of any benefit including any form of income, or part thereof; or
  - cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or
- 6.21.2 a loan, advance, credit facility or any other similar arrangement.
- 6.22 SBFC
- Standard Bank Financial Consultancy, a business area of SBSA (Licence number 3825).
- 6.23 SBG Securities
- SBG Securities (Pty) Ltd. (Licence number 26691)

- 6.24 SBIB  
Standard Bank Insurance Brokers (Pty) Ltd. (Licence number 224).
- 6.25 SBSA  
The Standard Bank of South Africa Limited (Licence number 11287).
- 6.26 STL  
Standard Trust Limited (Licence number 705).
- 6.27 SIL  
Standard Insurance Limited (Licence number 33348).
- 6.28 STIA  
Short-Term Insurance Act, 53 of 1998.
- 6.29 Third Party

A third party includes a product supplier, another provider, a distribution channel; an associate of the product supplier and provider and any person who in terms of an agreement or arrangement with a person referred to above who provides a Financial Interest to a Provider or its Representatives.

## **7 Ownership Interests**

- 7.1 Please refer to the annual financial report of the Group (link below) for information pertaining to:
- 7.1.1 Third Parties in which we hold an ownership interest;
- 7.1.2 Third Parties that hold an ownership interest in us; and
- 7.1.3 subsidiaries of the Group.
- 7.2 Link - <http://reporting.standardbank.com/resultsreports.php>

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