

# **CONFLICT OF INTEREST POLICY**

## 1. Introduction

Tshipi Noto Financial Services (Pty) Ltd (Tshipi Noto) as a financial service provider (FSP) in terms of the Financial Advisory and Intermediary Services Act ("FAIS") has a responsibility to conduct itself with integrity, fairness, and dignity, and act ethically in all its dealings with the public, customers, and other industry participants. Accordingly, Tshipi Noto must avoid conflicts of interest in dealings with customers, and where it is unable to do so, must mitigate the conflict and disclose the conflict to customers.

## 2. Objective

The Conflict-of-Interest Management Policy ("Policy") comes into existence in terms of the provisions of the S3 of the General Code of Conduct of Financial Services Providers and Representatives Board Notice 80 of 2003 ("General Code of Conduct") which was amended by the Board Notice 58 of 2010 ("BN58").

The Policy is aimed at managing a conflict of interest that exists or has the potential to exist in a specific transaction that is entered into or may be entered into with a client. Managing conflict of interest could be a way of mitigating it where it exists and disclosing it to a client.

## 3. Application

The Policy applies to transactions entered into or may be entered into between Financial Services Providers ("FSP") or by representatives of an FSP on behalf of the FSP.

## 4. Definitions

**"Associate"**

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- a. About to a natural person, means
- i. A person who is recognized in law or tenets of religion as the spouse, life partner, or civil union of that person.
  - ii. A child of that person, including a stepchild, an 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 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, and any other company of which that holding company is a subsidiary.
  - ii. Which is a close corporation registered under the Close Corporation 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 a holding company of the first-mentioned juristic person-
    - (aa) had such first mentioned the juristic person been a company; or
    - (bb) in the case where the other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company?
- 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 governing body is accustomed to act in accordance with the directions or instruction of the person first mentioned in this paragraph

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- ii. Includes any trust controlled or administered by that person.

**“Company”** means a company under the Companies act, 2008 (as amended)

**“Conflict of Interest”** means 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 or 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.

**“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.

**“Fair value”** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, another incentive, or valuable consideration, other than –

- a. 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.

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**“Immaterial financial interest”** means any financial interest with a determinable 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 representative for that representative’s direct benefit.
- b. A provider, for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives

**“Third-party”** means –

- a. A product supplier.
- b. Another provider.
- c. Any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (b) above provides a financial interest to a provider or its representatives.

## **5. Avoidance or Mitigation of the Conflict of Interest**

Tshipi Noto Financial Services (Pty) Ltd (“Tshipi Noto”) or its Representatives must avoid and where it is not possible mitigate conflict of interest between the client and Tshipi Noto or a Representative and the Client.

## **6. Disclosure of Conflict of Interest**

Tshipi Noto or its Representative must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client.

The conflict-of-interest disclosure must include:

- 6.1 measures are taken, in accordance with this Policy to avoid or mitigate the conflict.
- 6.2 any ownership interest or financial interest excluding immaterial financial interest, Tshipi Noto or its Representative may be or become eligible for should the transaction be entered into.
- 6.3 the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest.

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The disclosure must be in sufficient detail to enable the client to understand the exact nature of the relationship with the third party or arrangement and the conflict of interest.

## **7. Allowed Financial Interest**

Tshipi Noto or the representatives may only receive or offer the following financial interest from or to a third party –

- (i) Commission authorised under the Long-Term Insurance Act, 1998 (Act No. 52 of 1998).
- (ii) fees authorised under the Long-Term Insurance Act, 1998 (Act No. 53 of 1998).
- (iii) fees for rendering a financial service in respect of which commission or fees referred to in paragraph (i) and (ii) is not paid.
  - a. the amount, frequency, payment method, and the recipient of those fees and details that are to be provided by the provider or the representative in exchange for the fees are specifically agreed to by the client in writing; and
  - b. those fees may be stopped at the discretion of that client.
- (iv) fees or remuneration for the rendering of a service to a third party.
- (v) subject to any other law, any immaterial financial interest.
  
- (vi) financial interest, not referred to under subparagraph (i) to (v), for which consideration, fair value, or remuneration that is commensurable to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

## **8. Prohibited Financial interest**

8.1. Tshipi Noto may not offer any financial interest to a representative:

- (i) that is determined concerning the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or

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- (ii) for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client: or
  - (iii) for 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.
- 8.2 Tshipi Noto must be able to demonstrate that the determination and the entitlement to the financial interest consider measurable indicators relating to the:
- (i) achievement of minimum service level standards in respect of clients.
  - (ii) delivery of fair outcomes for clients.
  - (iii) quality of the representatives' compliance with the FAIS Act.
- as agreed between Tshipi Noto and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for Tshipi Noto over the fair treatment of clients.
- 8.3 Tshipi Noto may only receive or offer the financial interest referred to in subparagraph 7 (i) to (iii) above if:
- (i) those financial interests are reasonably commensurate with the service being rendered, considering the nature of the service and the resources, skills, and competencies reasonably required to perform it.
  - (ii) payment of those financial interests does not result in Tshipi Noto, and the representative being remunerated more than once for performing a similar service.
  - (iii) any actual or potential conflicts between the interest of clients and of Tshipi Noto or representative are effectively mitigated; and
  - (iv) the payment of those financial interests does not impede the delivery of fair-out comes to clients.
- 8.4 The financial interest that is offered to the representatives considers the items listed in paragraph 5 and sub-paragraph 8.3 above. All Employees of Tshipi Noto are remunerated with basic salaries and commissions.

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## **9. Management of the Conflict of Interest**

Where there is an actual or potential conflict of interest between Tshipi Noto and a client or a Representative and a client, necessary disclosures of this fact must be made to the client, which must include measures that will be taken to manage the conflict. Such disclosure must be made before the conclusion of the transaction to enable the client to make an informed decision about whether to enter or not to enter into a transaction.

## **10. Identification of Conflict of Interest**

In general, representatives when interacting with a client are expected to test whether the purported transaction will not amount to a conflict of interest by testing whether the service to be rendered to the client will be in the best interest of the client or if it meets the needs of the client and how much incentive will they receive should the service be rendered, etc. Employees should ask the following questions:

- Are my interest and those of Tshipi Noto aligned with the customer's needs?
- Am I acting independently, objectively, and professionally towards the customer?
- Am I acting in the customer's interest or in the interest of Tshipi Noto?

## **11. Measures for the Avoidance or mitigation of the Conflict of Interest**

Tshipi Noto is required to put in place measures to avoid conflict of interest where possible, however where it is impossible to avoid, mitigate the risk of conflict of interest.

Management, in conjunction with Compliance, must develop –

- mitigation measures to reduce any potential effect on the customer; and



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- an appropriate disclosure to inform the customer of the Conflict and what measures have been implemented to reduce the likelihood of such impact or effect on the customer.

Such control measures and reporting requirements must be implemented as soon as possible once a Conflict of Interest has been identified and must be recorded in the Conflict-of-Interest register.

Examples of measures that can be used to manage Conflicts are:

- implementing guidelines, policies, and procedures to manage the conflict.
- increasing disclosure to customers and obtaining informed consent from them.
- analyzing customer complaints, and
- establishing an anonymous reporting facility for employees to report suspected Conflicts of Interest

## **12. Measures for disclosure of Conflict of Interest**

The Employees or Representatives are required to disclose to a client as soon as reasonably possible the existence or potential Conflict of Interest in the transaction that is being entered into or concluded with the client. The disclosure of such a Conflict of Interest to a client must advise the client of the identified Conflict of Interest.

Key Individual and Representatives are responsible to ensure that Conflict of Interest is disclosed to the client where it exists or where there is a potential for such conflict.

Where Conflict of Interest could not be avoided, Tshipi Noto is obliged, in terms of FAIS to disclose:

- the measures are taken in accordance with this Policy to manage the conflict.
- any "ownership interest" or "financial interest," Tshipi Noto or its' Employees / Representatives may become eligible for; and

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- the exact nature of any relationship or arrangement with a third party that gives rise to a Conflict of Interest.

Disclosures made to customers must be made at the earliest opportunity after the Conflict of Interest is identified so that the customer may have a reasonable opportunity to assess its effects.

### **13. Immaterial Financial Interest**

When Tshipi Noto or its Representative receives Immaterial Financial Interest ('IFI'), they inform the Compliance Officer. In the report, they must include the name of the FSP and the FSP number of the FSP who has offered the IFI, the date of receipt, and the value of the IFI. The Compliance Officer will then enter the information in the Conflict-of-Interest Register, which register will be monitored to ensure compliance with the requirements set out in the General Code of Conduct.

### **14. Consequences for Non-Compliance with the Policy**

Failure to disclose:

- 14.1 existence of the conflict of interest.
- 14.2 potential conflict of interest.
- 14.3 immaterial financial interest offered by an FSP or received from an FSP to the client and management, Key Individual, or the Compliance Officer will result in disciplinary action and where necessary to dismissal.

### **15. Tshipi Noto Associates**

Tshipi Noto provides financial services on products that are underwritten by Brightrock Life. Tshipi Noto does not have any ownership interest in Brightrock Life.