

# **Conflict of Interest Management Policy**

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## **Introduction**

In terms of the Financial Advisory and Intermediary Services Act, 2002, Daberistic Financial Services (“the FSP”) is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage Conflict of Interest (“COI”). Section 3A(2)(a) of the FAIS General Code of Conduct (“GCOC) stipulates that every financial services provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act.

## **Purpose of the Policy**

The purpose of this policy is to comply with these obligations and provide for mechanisms in place to identify, mitigate and manage the conflicts of interest to which the FSP is a party. In addition, to ensure alignment between the values of the organisation and the conduct of its people by safeguarding clients’ interests and ensuring the fair treatment of clients.

The FSP is committed to ensuring that all business is conducted in accordance with good business practice. To this end, the FSP conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, the FSP is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients’ interests is our primary concern and so our policy sets out how:

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients’ interests.
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients’ interests through identified conflict of interest.

To achieve the objectives set out above, this policy sets out the rules, principles and standards of the FSPs COI management procedures, by documenting them in a clear and understandable format.

## **Scope of application**

This policy is applicable to the FSP, all providers of the FSP, Key individuals, Representatives, Associates and Administrative personnel. The FSP is committed to ensuring compliance with this policy and the processes will be monitored on an ongoing basis.

Any non-compliance with the policy will be viewed in a severe light. Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

## **Company background and structure**

Daberistic Solutions t/a Daberistic Financial Solutions is a Close Corporation. It currently has 5 administration staff and 5 registered representatives.

The Company is contracted with several product providers. It has preferred suppliers based on relationship, product excellent and service excellent.

Currently the major product suppliers are:

Discovery Health, Discovery Insure, Discovery Invest, Discovery Life, Allan Gray, Old Mutual, Santam, CIB and Momentum

## **Mission statement on Conflict of Interest**

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## **Understanding the definitions**

**Conflict of interest**, means any situation in which the FSP or one of our representatives has an actual or potential interest that may, in rendering a financial service to our clients -

- influence the objective performance of obligations to that client; or
- prevents us from rendering an unbiased and fair financial service, or
- prevents us from acting in the interests of that client.

An "actual or potential interest" includes but is no limited to

A **financial interest**, which includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive, or valuable consideration which exceeds R1000 per calendar year.<sup>1</sup>

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<sup>1</sup> Financial Interest excludes an ownership interest and Training, that is not exclusively available to a selected

- An **ownership interest** which means any equity or proprietary interest and any dividend, profit share or similar benefit derived from that equity or ownership interest.
- Any **relationship with a third party**, meaning any relationship with a product supplier, other FSP's, an associate of a product supplier or an associate of the FSP. A third party also includes any other person who, in terms of an agreement or arrangement, provides a financial interest to the FSP or its representatives.
- An **immaterial financial interest**, Any financial interest with a determinable monetary value of which the aggregate from the same third party does not exceed R1000 per calendar year.

### **What type of interest may we give and receive**

The FSP and our representatives may only offer to and receive specific financial interests from a third party<sup>2</sup>, which includes the following:

1. Commission as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
2. Fees as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
3. "Other fees" specifically agreed to by the client and which can be stopped by the client at their discretion but only if agreed in writing with the client, including details of the amount, frequency, payment method and recipient of those fees, as well as the details of services to be provided in exchange for the fees.
4. Fees or remuneration for services that were rendered to a third party.
5. An immaterial financial interest.
6. Any other financial interest not mentioned above for which a consideration, fair value or remuneration that is reasonably commensurate is paid by that provider or representative, at the time of receiving that financial interest.

### **On what basis may we give and receive financial interests?**

The financial interest referred to in points above may only be offered or received by the FSP or its representatives, if:

- The financial interests are proportionate (reasonably commensurate) to the service being rendered, considering the nature of the service, the resources, skills and competencies that are reasonably required to perform it.

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group of providers or representatives where that training is related to products and legal matters relating to (1) those products, (2) General financial and industry information, (3) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training and (4) qualifying enterprise development contribution to a qualifying beneficiary entity.

- The payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing the same service.
- Any actual or potential conflicts between the interests of clients and the interests of the person receiving those financial interests are effectively mitigated; and
- The payment of those financial interests does not impede the delivery of fair outcomes to clients.

### **Financial interests for representatives of the FSP**

The FSP may not offer any financial interest to a representative of that FSP –

- 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.
- For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client
- That is determined with reference to the quantity of business, without also giving due regard to the delivery of fair outcomes for clients.

In relation to delivery of fair outcomes for clients, the FSP must demonstrate that a determination of a representative's entitlement to a financial interest, considers measurable indicators, relating to the:

- Achievement of minimum service level standards in respect of clients
- Delivery of fair outcomes for clients; and
- Quality of the representative's compliance with the FAIS Act.

The measurable indicators are agreed in writing between the FSP and its representative and sufficient weight (significance) are attached to these indicators to materially mitigate the risk of the representative(s) giving preference to the quantity of business secured for the FSP over the fair treatment of clients.

The FSP does not offer a sign-on bonus to any person, other than a new entrant, as an incentive to become a provider authorised or appointed to give advice.

The way in which the FSP remunerates its representatives and complies with these requirements, is set out in section 6 of this policy.

### **REMUNERATION POLICY**

Daberistic is remunerated with the commissions as legislated in the various pieces of relevant legislations. Small policy fees may be charged on short-term insurance policies. Application fees, annual service fees or financial advisory fees may be charged on medical aid memberships. In addition, we charge fees for consulting, personal financial planning, financial coaching and carrying out certain administrative tasks for clients.

Representatives are remunerated with commissions and, in exceptional cases, a basic salary. Administration staff are salaried, with incentives paid should they introduce new clients to the business.

We do not receive more than 30% of our income from any one product provider.

## Processes and internal controls

### Identification of Conflict of Interest

To adequately manage conflicts of interest we must identify all relevant conflicts timeously. In determining whether there is or may be a conflict of interest to which the policy applies, **Daberistic** considers whether there is a material risk of damage to the client, considering whether **Daberistic** or 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 favour 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.

Our policy defines possible conflicts of interest as, *inter alia*:

- conflicts of interest between **Daberistic** and the client
- conflicts of interest between our clients if we are acting for different clients and the different interest's 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.

**Daberistic** maintains an index of potential conflict risks, taking into consideration all business areas and income streams. The index is updated with all new conflicts identified, and to ensure completeness is reviewed on an annual basis. We also keep a register of actual conflict of interests, and a register of potential conflict of interest.

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of. The Key Individual will assess the implications of the conflict and how the conflict should be managed and act impartially to avoid a material risk of harming clients' interests.

### Measurement for avoidance and mitigation of conflict of interests

Create awareness and knowledge of applicable stipulations of the General Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material.

Ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates.

Regular inspections on all commissions, remuneration, fees and financial interests proposed

or received in order to avoid non-compliance.

Keep a register of conflict of interest.

Once a conflict of interest has been identified it needs to be appropriately and adequately managed.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict.

- 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, either to allow clients to make an informed decision on whether to continue using our service in the situation concerned. In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. If a conflict exists, it will be disclosed in the client advice record, as well as the disclosure letter.

- Publication:

We will publish our conflict of interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times. Our COI policy is stored electronically on Sharepoint. A copy will be provided on the client's request.

- Declining to act:

We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

## **Measures for mandatory disclosure of conflict of interest**

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.

In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. The Key Individual will ensure transparency and manage conflict of interests. The client must be informed on the Conflict of Interest Policy and where they may access the policy.

## **Ongoing monitoring of conflict of interest management**

This policy will be reviewed annually and must be included in our annual FSB compliance report, containing details "...on a least the implementation, monitoring and compliance with, and the accessibility of the conflict of interest management policy."

**Internal Compliance Officer/PA to Key Individuals** are responsible for supervision and monitoring of this policy as well as the process to be followed e.g. inspection of new business transactions, client interviews, discussion with product providers etc. The staff member in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters.

## **Training and staff**

All employees and representatives are required to read Board Notice 58 of 2010 as well as this policy and to sign a statement to the effect that they have done so and fully understand the provisions of both documents and the application thereof.

Comprehensive training on the Conflict of Interest policy will be provided to all employees and representatives as part of general FAIS training or specifically.

Training will be incorporated as part of all new appointees' induction and refresher training provided on an annual basis.

The **Internal Compliance Officer** will conduct ad hoc checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his general monitoring duties and will report thereon in the annual compliance report.

Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

This policy shall be reviewed annually and updated if applicable.

### **Registers:**

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, [we confirm that there are no circumstances which could lead to a potential conflict of interest]. Should any conflicts arise with regard to any of these, prior to entering into any business transaction with you, we undertake to disclose these in the registers below.

All gifts, financial interest, immaterial financial interest and any other COI situations as outlined in this policy, must be recorded in the FSP's COI register, attached as Annexure A.