



# FAIS Act Conflict of Interest Policy



## Document Control

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## 1. Context

### 1.1 Policy Required by FAIS Act Subordinate Legislation

The FirstRand code of ethics sets out FirstRand's commitment to high levels of integrity and fairness in all business dealings.

*In addition, subordinate legislation published in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (hereinafter referred to as FAIS), imposes a duty on certain entities and individuals to avoid or mitigate any situation in which a conflict of interest exists or may arise and to declare any such conflict of interest. The subordinate legislation also requires that a Financial Services Provider (hereinafter referred to as an FSP) publish a conflict of interest management policy.*

The responsibility to proactively and in good faith, declare an actual or potential conflict of interest, and to seek advice in cases of uncertainty, is fully vested with those affected by this policy.

The interests of close relations, such as for instance spouses and siblings may be more complex and should be declared as accurately as is possible.

Affected entities and individuals should refrain from making false declarations. False declarations contain purposeful omissions.

### 1.2 Purpose

The DirectAxis FAIS Conflict of Interest Policy is designed to assist affected entities and individuals in protecting the interest of DirectAxis and the interests of any client to whom a FAIS financial service is rendered.

The policy stipulates that all affected entities and individuals are required to declare their personal interests, because some of these personal interests, upon examination, may prove to be unacceptable conflicts of interest.

### 1.3 How Should the Policy be Used?

All affected entities and individuals should refer to this policy for guidance on truthful, accurate and timely declarations of material personal interests.

Any reference to 'we, us, our, ourselves, FSP' in this document shall mean DirectAxis FSP 7249 and FSP 5 as the case may be.

The policy includes guidance on appropriate financial interest, methods of declaration and to whom such declarations should be made.

**Failure to comply with this policy constitutes misconduct and could result in disciplinary action being taken. In serious cases, such disciplinary action may result in termination of employment and/or debarment.**

## 2. Scope

### 2.1 Who Should Heed the Policy?

This policy is applicable to the following FSPs:

| Financial Service Provider Name | FSP Number |
|---------------------------------|------------|
| Direct Axis SA (Pty) Ltd        | 7249       |
| Direct Axis SA (Pty) Ltd        | 5          |

The policy is further applicable to any of the following entities or individuals:

- All business units, divisions, customer segments, sub-segments; FSPs and legal entities who may be regarded as a 'third party' as defined in FAIS General Code of Conduct,
- Any employee of DirectAxis, who may, on behalf of the entity, approve and/or accept the giving or receipt of any financial interest to/from any third party,
- Any representative or juristic representative of DirectAxis, who is mandated to provide FAIS financial services,
- Any key individual who has been approved by the Registrar of Financial Services to manage and oversee compliance of DirectAxis with the requirements of the FAIS Act.

### 2.2 Where Applicable?

This policy is applicable in South Africa. DirectAxis is only licensed to provide financial services in terms of Section 7 of the FAIS Act in South Africa.

### 2.3 When Applicable?

The FAIS Act Conflict of Interest Policy applies when financial services, which are regulated by the FAIS Act and its subordinate legislation, are provided to clients.

This policy is therefore applicable only when:

- Any action is undertaken, by an entity or individual mentioned in section two (2), and
- Which is or may amount to an actual or potential conflict of interest, and
- The outcome thereof will prevent the provision of an unbiased, objective and fair FAIS financial service to a client as regulated by the FAIS General Code of Conduct.

This policy will not apply to any financial service which is exempt from the provisions of the FAIS Act.

These FAIS rules only apply when FAIS financial products or FAIS advice and/or intermediary services are provided to clients.

**When do the prohibitions not apply? Some examples:**

**Sponsorships:**

These rules will not apply to non-FAIS regulated sponsorships, as defined in the applicable group standard.

**Procurement:**

Procurement suppliers generally provide goods and/or services to the group which are not regulated by the FAIS Act, e.g. stationery. These rules will, therefore, not apply in procurement.

**Administration managers (category III financial services):**

The Section 3A General Code of Conduct prohibitions apply largely to retail (category I and II) FSPs and representatives –with the focus being on:

- (a) Payments being capped in accordance with regulated commissions,
- (b) Ensuring quality of sales notwithstanding volumes-based targets being set,
- (c) No undue sales preference to any particular product or product provider.

The FAIS General Code of Conduct, however requires that the administration manager must comply with the **duty to disclose any rebate or platform fee arrangements and the requirements below relating to the giving and receiving of immaterial financial interest.**

**FAIS-exempt clients:**

FSPs are exempt from FAIS when providing financial services to certain clients such as: corporate clients with a net asset value in excess of R20 million, other banks, other insurers, certain asset managers (who manage funds in excess of R1 billion) and/or other foreign entities that have similar licensing and meet similar threshold requirements (where applicable) as the above South African clients. Accordingly, the FAIS prohibitions will not apply to our FSPs and/or its representatives when engaging with exempt clients.

## 3. Provisions

### 3.1 Duty to Avoid and/or Mitigate a Conflict of Interest

An entity or individual mentioned in section two (2) must avoid and/or mitigate any conflict of interest between the FSP, its representatives and/or a client.

### 3.2 What is a FAIS Conflict of Interest

A FAIS conflict of interest is any situation in which an FSP or representative has an actual or potential interest which, when providing advice and/or intermediary services to a client, influences his/her objectivity and prevents the entity or representative from providing a fair, objective and unbiased FAIS financial service to a client.

### 3.3 Financial Interests

#### 3.3.1 What are financial interests?

The giving to and receiving from third parties any of the interests noted below are specifically prohibited, except for the exclusion section of the below definition, the exclusions noted in section 2.3 above and the financial interests specifically mentioned in section 3.3.2.1 below.

##### 3.3.1.1 Financial interests include:

- Cash (For FirstRand employees 'cash' is strictly prohibited),
- Cash equivalent (For FirstRand employees 'cash equivalent' is strictly prohibited),
- Sponsorships,
- Accommodation,
- Hospitality,
- Domestic or foreign travel,
- Discounts,
- Vouchers,
- Gift items. Examples of gift items are:
  - All expenses paid weekend getaway,
  - Tickets to watch sporting activities such as rugby, cricket or soccer tickets, or
  - Electronic devices such as laptops, tablets or cellular phones,
- Service, advantage or benefit,
- Other incentive or valuable consideration, and
- Travel and accommodation relating to any type of training (exclusive or non-exclusive).

##### 3.3.1.2 Financial interests exclude:

- Training that is not exclusively available to a selected group of FSPs or representatives relating to:
  - General financial or industry information,
  - Products or legal matters related to that product, and
  - Specialised technological services of a third party which is necessary for the provision of FAIS financial services.

#### 3.3.2 What financial interest is permitted or prohibited?

Where a legal entity is a product supplier and an FSP provider, the financial interest limitations stated in section 3.3.2.1. below do not apply to representatives of that legal entity. However, section 3.3.2.2 below will apply to these FSPs and their representatives.

##### 3.3.2.1 The following financial interest is allowed in respect of FSPs or third parties who are not part of the same legal entity:

An FSP and/or a representative may only receive or offer the following financial interest to or from a third party:

- Commission authorised under the Long-term Insurance Act, 1988 (Act No. 52 of 1988) or the Short-term Insurance Act, 1988 (Act No. 53 of 1988) or the Medical Schemes Act, 1988 (Act No. 131 of 1988),
- Fees authorised under the Long-term Insurance Act, 1988 (Act No. 52 of 1988), the Short-term Insurance Act, 1988 (Act No. 53 of 1988) or the Medical Schemes Act, 1988 (Act No. 131 of 1988),
- Commission or fees other than that referred to above, provided that these fees:
  - Are specifically agreed to by a client in writing,
  - May be stopped at the discretion of the client,
- Fees or remuneration which are reasonably commensurate to the FAIS financial service being rendered,
- Subject to any other law, an immaterial financial interest, and
- A financial interest, other than that referred to above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid for by the authorised FSP or representative, at the time of receipt.

**Gifts and/or other financial interest – some examples of what is allowed/not allowed:**

**Gifts of R1 000 or below:**

A FAIS representative may receive immaterial financial interest (example: an activity voucher) from third parties not exceeding a total of R1 000, per calendar year per third party.

**Example:**

- A representative accepts from **insurer 1** an activity voucher valued at R800 in the year 2019,
- The same representative may receive another activity voucher to a value of a maximum of R200 from **insurer 1** in the same year of 2019,
- The same representative may receive another activity voucher to a value of a maximum of R1 000 from **insurer 2** in the same year of 2019.

**Internal controls:**

- All gifts, irrespective of value, received must be declared on the Oracle declarations of interest (DOI) platform or the gifts register in the relevant business unit/FSP (if not on the DOI platform).
- Even though the general gifts policy in a particular business unit or franchise may/may not allow receipt of a gift where the value thereof is in excess of R1 000, if you are employed in a FAIS role, you may not accept any gift from the same third party in the same calendar year which exceeds R1 000.

**General training and investor conferences:**

Franchisees may offer general training conferences, provided that these are offered on a non-exclusive basis on matters relating to new products or general financial and industry information or technological system changes relating to a financial service offering. This includes investor conferences.

**Free tickets offered to third parties to attend group corporate events such as concerts:**

If the recipient of the ticket is a third party and is subject to the FAIS General Code of Conduct, then the recipient must decide for themselves if they would rather:

- (a) opt to either pay for the ticket, or
- (b) decline the gift.

Note that these prohibitions do not apply if such free tickets are offered amongst entities within the group.

**Immaterial financial interest:**

Any foreign travel, hospitality, accommodation, sponsorships, gifts, activity vouchers, or any other incentive (example golf day invitations, prizes to win an Xbox, etc.) where the value thereof is limited to R1 000 per calendar year, per person referred to in section 2.1 above.

**3.3.2.2 An FSP (and/or any individual referred to in Section two (2), acting on behalf of an FSP) may not offer any financial interest to its representatives for:**

- Giving preference to the quantity of business secured for the FSP to the exclusion of the quality of service rendered to client, or
- Giving preference to a specific 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 product supplier to a client.

**3.3.3 What are ownership interests?**

Ownership interest means:

- Any equity, or proprietary interest for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person, and
- Includes any dividend, profit share or similar.

*Please note that significant ownership excludes equity held as an approved nominee on behalf of another person. An approved nominee is a financial services provider registered to make investments and deposits of assets on behalf of others. If you are uncertain, you should contact your compliance officer for further guidance.*

### 3.3.4 Who are associates?

#### An associate:

(a) **In relation to a natural person, means -**

- (i) A person who is recognised 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 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 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 -
  - (aa) Had such first-mentioned juristic person been a company, or
  - (bb) 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.

### 3.3.5 What the FAIS General Code of Conduct says about sign-on bonuses

#### 3.3.5.1 What prohibitions apply to sign-on bonuses?

A category 1 provider that is authorised or appointed to give advice may not receive a sign-on bonus from any person.

No person may offer or provide a sign-on bonus to any person, other than a new entrant, as an incentive to become a category 1 provider that is authorised or appointed to give advice.

#### **Practical example - what is not allowed**

##### **Management and/or key individuals of any FSP in the group may not:**

- Conclude discussions with representatives of external FSPs, the outcome of which is that sign-on bonuses are offered to these persons as incentives for them to become FAIS representatives to render advice in any of the group's FSPs; and/or
- Any offer containing such incentives, (including cash offers and formulae which determine how the quantum of the cash offer is made up) are strictly not allowed to be made.

### 3.3.6 Factors to consider when identifying whether or not a conflict of interest exists or may arise

The following factors (not limited to) may be considered when assessing whether an actual or potential conflict of interest exists, or may arise:

- Whether the FSP and/or representative is likely to avoid a financial loss or make a financial gain that will negatively influence the ability of the FSP/representative to provide FAIS financial services to a client impartially.
- Whether the FSP and/or representative has an interest in the outcome of the FAIS financial service provided to the client or in a transaction carried out on behalf of the client, which is distinct from that client's interest in that outcome;
- Whether the FSP and/or representative has a financial or other incentive to favour the interest of a third party, potential client or group of clients over the interests of an existing client.

**3.3.7 Internal procedures to assess, avoid and mitigate FAIS conflicts of interest**

Where any entity or individual referred to in section two (2) believes that a conflict of interest exists or may arise they are required to follow the procedures stipulated in Schedule 1 of this document.

**3.3.8 Duty to disclose conflicts of interest**

Subsequent to the procedure undertaken in Schedule 1 and once it has been established that a conflict of interest may or does exist, the FSP and/or representative and/or any other individual or entity referred to in section two (2), as applicable, must disclose the actual or potential conflict of interest to a client in writing. Disclosure must be made at the earliest reasonable opportunity.

**The written disclosure must include the following information:**

- Measures taken, in accordance with this policy, to avoid or mitigate the conflict of interest,
- Any ownership or financial interest, other than an immaterial financial interest, which the FSP or representative may become eligible for,
- Nature of any relationship arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to enable the client to understand the exact nature of the relationship or agreement and the conflict of interest, and
- Inform the client of this conflict of interest policy and how it may be accessed.

**3.3.9 List of associates and information pertaining to ownership interest**

Refer to schedule 2 hereof for a list of associates who undertake FAIS financial services related to business at DirectAxis.

A complete list of associates will be made available, on request, to any person(s) legally entitled thereto, and provided that the FAIS financial service giving rise to the request was rendered in terms of the FAIS General Code of Conduct.

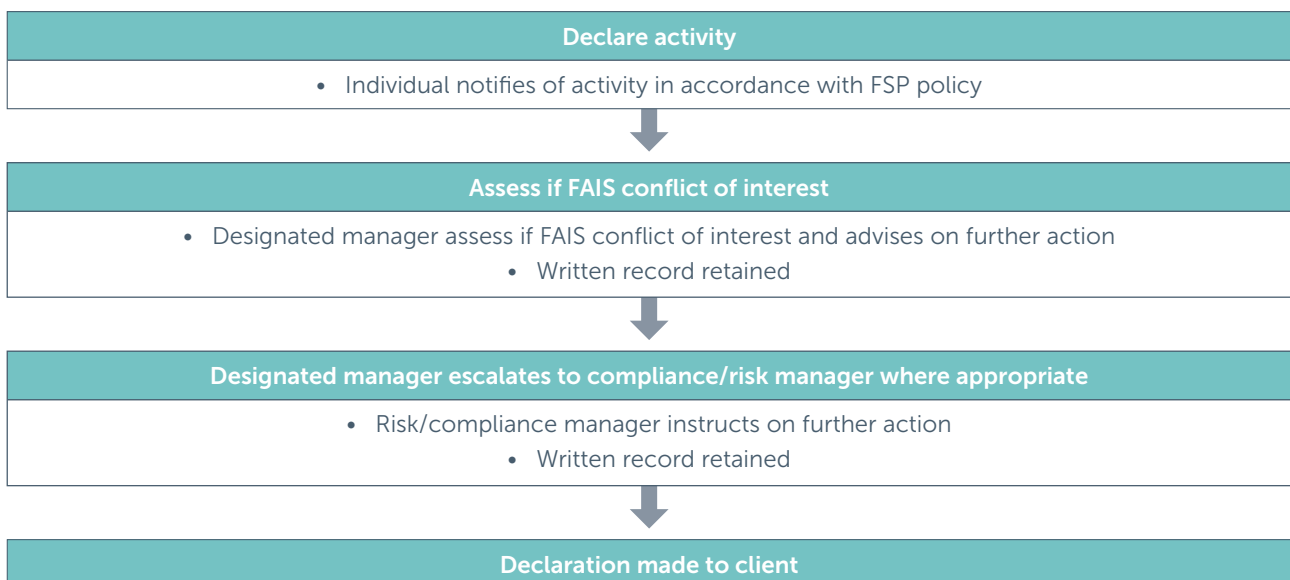
**3.3.10 Responsibility to seek advice and to declare interests**

The declaration prescriptions within this policy are not meant to be exhaustive. It remains the responsibility of those subject to this policy to seek advice on possible material interests and to declare such interests accordingly.

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## Schedule 1

**Assessment by FSPs of declarations by individuals to the FSP:**





## Schedule 2

### Direct Axis SA (Pty) Ltd (and other direct interests) FAIS impacted structure as at 28 February 2020:

| Name FSP/Registration Number            | Immediate %    | Parent Name |   |
|---|----------------|-------------|---|
| Direct Axis SA (Pty) Ltd                | FSP 5          | 100%        | WesInvest Holdings (Pty) Ltd            |
| Direct Axis SA (Pty) Ltd                | FSP 7249       | 100%        | WesInvest Holdings (Pty) Ltd            |
| Sanlam Personal Loans (Pty) Ltd         | 2001/016316/07 | 30%         | Direct Axis SA (Pty) Ltd                |
| WesInvest Holdings (Pty) Ltd            |                | 100%        | FirstRand Investment Holdings (Pty) Ltd |
| Rapivest 46 (Pty) Ltd<br>2004/020224/07 | 2004/020224/07 | 100%        | Direct Axis SA (Pty) Ltd                |

### Third Parties with whom DirectAxis has a Profit Sharing Arrangement

- The Hollard Insurance Company Ltd 1952/003004/06
- Sanlam Personal Loans (Pty) Ltd 2001/016316/07

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## Addendum

1. A **client** as defined in the FAIS Act 37 of 2002 means a specific person or group of persons, excluding the general public, who is or may become the subject to whom a financial service is rendered intentionally, or is the successor in title of such person or the beneficiary of such service.
2. **FAIS Act** means Financial Advisory and Intermediary Services Act 37 of 2002.
3. A **financial service** as defined in the FAIS Act means any service contemplated in paragraph (a), (b) or (c) of the definition of 'financial services provider', including any category of such services.
4. An **authorised financial services provider** as defined in the FAIS Act 37 of 2002 means any person, other than a representative, who as a regular feature of the business of such person:
  - (a) Furnishes advice,
  - (b) Furnishes advice and renders any intermediary service, or
  - (c) Renders an intermediary service.
5. A **product supplier** as defined in the FAIS Act 37 of 2002 means any person who issues a financial product by virtue of an authority, approval or right granted to such person under any law, including the Companies Act, 1973 (Act 61 of 1973).
6. A **third party** as defined in Board Notice 58 of 2010 means:
  - (a) A product supplier,
  - (b) Another provider,
  - (c) An associate of a product supplier or provider,
  - (d) A distribution channel,
  - (e) Any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to a provider or its representatives.
7. A **representative** as defined in the FAIS Act 37 of 2002 means any person, including a person employed or mandated by such first mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service:
  - (a) Does not require judgement on the part of the latter person, or
  - (b) Does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.
8. A **key individual** as defined in the FAIS Act 37 of 2002 means in relation to an authorised financial services provider, or a representative, carrying on business as a corporate, any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body relating to the rendering of any financial service.

9. A **conflict of interest** as defined in the FAIS General Code of Conduct 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, 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 best interests of that client, including, but not limited to–
    - (i) A financial interest,
    - (ii) An ownership interest,
    - (iii) Any relationship with a third party.
10. **Sign-on bonus** as defined in the FAIS General Code of Conduct means–
- (a) Any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider, and
  - (b) A financial interest referred to in paragraph (a) includes but is not limited to–
    - (i) Compensation for the–
      - (aa) Potential or actual loss of any benefit including any form of income, or part thereof, or
      - (bb) 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
    - (ii) A loan, advance, credit facility or any other similar arrangement.
11. A **‘financial interest’** as defined in the FAIS General Code of Conduct 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 of 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.
12. An **‘associate’** as defined in the FAIS General Code of Conduct means–
- (a) In relation to a natural person–
    - (i) A person who is recognised 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 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 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–
      - (aa) Had such first-mentioned juristic person been a company, or
      - (bb) 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.
-