



# Direct Independent Brokers (Pty) Ltd

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## **CONFLICT OF INTEREST POLICY**

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## **1. Introduction**

The General Code of Conduct of the Financial Advisory and Intermediaries Services Act, No 37 of 2002 (FAIS) sets out requirements for the management of conflict of interests. Financial Services Providers (FSPs) have a responsibility to ensure that they improve the quality of the financial services that are rendered to clients and that no situation is allowed where a provider or a representative has an actual or potential interest, which will influence the objective performance when providing a financial service to a client.

The FAIS General Code of Conduct for Authorised Financial Services Providers (FSPs) and Representatives stipulates that Direct Independent Brokers may not offer or receive a financial interest which includes for example cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration - to or from another FSP or third party as defined in the Code.

Conflict of Interest should be avoided and if not possible mitigated in which case such conflict must be disclosed to the client. Immaterial financial interests (as defined in the Code) are not disclosed but captured and monitored in a central register.

We have to ensure that staff members who are on a performance-based salary system are closely monitored to ensure that quality and the delivery of fair customer outcomes are not sacrificed due to focus on quantity performance measurements.

This conflict of interest management policy for Direct Independent Brokers, provides measures to identify, manage, avoid and mitigate existing and potential conflicts of interests within our environment, and sets out the roles and responsibilities of the relevant parties in this regard.

## **2. Definitions**

### **“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
  - ii. union partner of that person;
  - iii. a child of that person, including a stepchild, adopted child and a child born out of wedlock;
  - iv. a parent or stepparent of that person;

- v. 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;
- vi. a person who is the permanent life partner or spouse or civil union partner of a person referred to in subparagraphs (ii) to (iv);
- vii. 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
- iv. had such first-mentioned juristic person been a company; or
- v. in the case where that other juristic person, also, is not a company, had both the first mentioned juristic person and that other juristic person been a company;
- vi. means any person in accordance with whose directions or instructions the board of directors or members of, or in the case where such juristic person is not a company or close corporation, 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 members, or in the case where such juristic person is not a company or close corporation, 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.

**“Client”**

A specific person or group of persons, excluding the general public, who is or may become subject to a financial service rendered intentionally by the FSP’s

**“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, 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 the client, including but not limited to:
  - i. A financial interest
  - ii. An ownership interest
  - iii. Any relationship with a third party

**“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.

**“Financial Interest”**

A financial interest includes cash, a cash equivalent, voucher, gift, services, 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 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.

**“FSP”**

Financial Services Provider authorised in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002.

### **“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 its representatives, aggregates the immaterial financial interest paid to its representatives.

### **“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.

### **“Product Supplier”**

Any person or juristic person who issues a financial product by virtue of an authority, approval or right granted to such person or juristic person under any law.

### **“Product Provider”**

An authorised FSP registered as such with the FSCA.

### **“Responsible Person”**

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

### **“Third Party”**

- a) a Product Supplier;
- b) another Provider;
- 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 (d) above provides a financial service to a Provider or its Representatives

## **3. Our Objectives**

The objective of this policy is to provide a framework with regards to the identification, avoidance, mitigation, and management of conflicts of interest in Direct Independent Brokers, in order to ensure that Direct Independent Brokers business practices are in line with our commitment to provide quality service and to avoid any situation in which Direct Independent Brokers has an actual or potential interest that may, while rendering a financial service to a client:

- a) influence the objective performance of its obligations to that client;
- b) prevent itself from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client; or
- c) prevent fair customer outcomes.

Including, but not limited to –

- a) a financial interest;
- b) an ownership interest; or
- c) any relationship with a third party; and
- d) ensure compliance with regulatory requirements;
- e) avoid legal liability and reputational risk arising from conflicts of interest.

#### **4. Purpose and Scope**

This policy applies to Direct Independent Brokers, and all its representatives. It applies to any situation where a conflict of interest or a potential conflict of interest exists in the rendering of financial services to clients.

With regards to Direct Independent Brokers representatives, the following applies with regards to financial interest:

**A provider may not offer any financial interest to a representative of that provider:**

- a) that is determined with preference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or
- b) for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- c) 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 purposes of (a) above, a provider must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the–

- a) achievement of minimum service level standards in respect of clients;
- b) delivery of fair outcomes for clients;
- c) quality of the representative's compliance with this Act;

as agreed between the provider 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 the provider over the fair treatment of clients.

**A provider or its representatives may only receive or offer the following financial interest from or to a third party:**

- a) Commission authorised under the Long Term Insurance Act. 1998 (Act No. 52 of 1998) or the Short Term Insurance Act, 1998 (Act No. 53 of 1998)
- b) Fees authorised under the Long Term Insurance Act. 1998 (Act No. 52 of 1998), the Short Term Insurance Act, 1998 (Act No. 53 of 1998).
- c) Fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (a) or (b) is not paid, if
- d) the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and
- e) those fees may be stopped at the discretion of that client
- f) Fees or remuneration for the rendering of a service to a third party;
- g) Subject to any other law, an immaterial financial interest; and
- h) A financial interest, not referred to under subparagraph (a) to (e), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

A provider or its representatives may also only receive or offer the financial interests referred to in (b), (c) and (d) above if:

- a) those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resource, skills and competencies reasonably required to perform it;
- b) the payment of those financial interests does not result in the provider or representative being remunerated more than once for performing a similar service;
- c) any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and
- d) the payment of those financial interests does not impede the delivery of fair outcomes to clients.

## **5. Conflict of Interest**

Direct Independent Brokers strives towards ensuring it is able to appropriately and effectively identify and manage potential conflicts. We may manage potential conflicts through avoidance, establishing confidentiality barriers and by providing appropriate disclosure of the conflict to affected clients.



In determining whether there is or may be a conflict of interest to which the policy applies, Direct Independent Brokers considers whether there is a material risk of damage to the client, taking into account whether Direct Independent Brokers or a representative, associate or employee

- a) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- b) 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;
- c) 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;
- d) 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:
  - e) conflicts of interest between Direct Independent Brokers and the client;
  - f) conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
  - g) 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;
  - h) holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients.

Direct Independent Brokers does not offer any financial interest to any representative or employee for:

- a) giving preference to the quantity of business secured for the provider to the exclusion of quality service;
- b) giving preference to a specific product supplier where more than one supplier can be recommended to a client;
- c) giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

The General Code of Conduct also prescribes that you should disclose to a client the fact that you hold 10% or more shares in a product supplier and whether you received more than 30% of your remuneration from one product supplier over a 12 months period.

## 6. Management

Management is responsible for implementation and monitoring of the procedures within their respective area to comply with this policy. Any inconsistencies with this policy or the underlying procedure must be approved by the licensed Compliance Officer.

This policy and the record of the kinds of services and activities undertaken by the operational areas which might give rise to a potential conflict of interest must be retained for at least five years, together with any changes to those documents.

The measures that Direct Independent Brokers has adopted to manage identified conflicts are further summarized below. We consider them appropriate to our efforts to take reasonable care that, in relation to each identified potential conflict of interest, we act impartially to avoid a material risk of harming clients' interests:

- a) **Procedures:** We have adopted appropriate procedures throughout our business to manage potential conflicts of interest. Our representatives, associates and employees receive guidance and training in these procedures and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with our conflict of interest policy.
- b) **Confidentiality Barriers:** Our representatives, associates and employees respect the confidentiality of client information and disclose or use it with circumspect. No such information may be disclosed to a third party without the written consent of a client.
- c) **Monitoring:** The Key Individual or Compliance Officer in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed annually.
- d) **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 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. To date no such circumstances have arisen.
- e) **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.
- f) **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.

## **7. Mechanism to Identify Conflict of Interest**

- a) Meetings between the Compliance Department, Operational Heads and Key Individuals to review procedures, processes and business relationships;
- b) Quality Assurance audits to identify trends of actual or potential conflict of interests;
- c) Feedback and complaints from clients or other stakeholders;
- d) Gifts and Conflict of Interest Management Policy and Register;

## **8. Particular Management Measures**

- a) Identification of conflict of interest:  
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;
- b) Avoidance of conflict of interest:
  - i. ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates;
  - ii. do regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance;
  - iii. keep a register of conflict of interest - at present none have been identified.

## **9. Consequences of Non-Compliance with the Policy**

- a) Material breaches may lead to disciplinary action and/or debarment;
- b) If a breach of this policy is identified, corrective measures will be taken, which can include, but is not limited to, further communication to clients;
- c) Report breaches to Management and the Direct Independent Brokers Key Individuals; and
- d) Reviewing of current procedures, processes and controls if regular breaches are identified.

## **10. Type and Basis on which a Representative will qualify for a Financial Interest**

### **Performance Based Remuneration System (PBS):**

- a) Call centre staff work on PBS which measures both quality and quantity of work.
- b) Mandatory monthly audits are done by team managers to prevent PBS manipulation and to ensure quality.
- c) Quality Assurance department performs various audits to ensure that staff adheres to all procedures.

### **Ad hoc Competitions:**

- a) Management offers various prizes to motivate staff and to ensure focus on specific performance improvement areas.
- b) These competitions do not influence the quality expected from staff members and is also audited.
- c) PBS records and the work performed by top performers are audited by Quality Assurance prior to the announcement of winners to ensure that there is no manipulation or non-compliance with correct procedures.

### **11. Staff Acknowledgement**

Management of each Department must ensure that all staff are made aware of this policy and familiarise themselves with the content. In addition, Management must implement processes to re-confirm this annually.

### **12. Approval and Review**

The policy is subject to annual review and approval by Direct Independent Brokers Management and Key Individuals.