



EIKOS RISK APPLICATIONS (PTY) LTD

CONFLICT OF INTEREST MANAGEMENT POLICY

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DEFINITIONS

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 exercise of its obligations to a client; or
- b) prevent a provider or representative from rendering an unbiased and fair financial service, 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.

A **financial interest** 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 or representatives, on
 - 1. products and legal matters relating to 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.

Ownership interest means:

- a) 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
- b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

A **third party** means:

- a) a product supplier
- b) another provider
- c) an associate of a product supplier or a provider
- d) a distribution channel
- e) any person who in terms of an agreement or arrangement with a person referred to in a. to d. above provides a financial interest to a provider or its representatives.

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;

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- 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 ii. to iv. above;
 - 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 which that holding company is a subsidiary;
 - ii. which is a close corporation, means any member thereof
 - iii. which is not a company or close corporation means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person had such first-mentioned juristic person been a company, or 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.

A 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 services 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 arrangements facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

An **immaterial financial interest** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year received by:

- a) a provider who is a sole proprietor; or
- b) a representative for that representative's direct benefit;
- c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

1. INTRODUCTION

In terms of the FAIS General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider or the representative and a client.

In order to adhere to this requirement, the FSP must ensure that adequate arrangements are in place for the management of conflicts of interests that may arise wholly or partially, in relation to the provision of any financial services to clients by the FSP, or any representative of the FSP, as part of the financial services business of the FSP.

In terms of the Code of Conduct, the conflicts of interest management policy must contain the following provisions:

- Provisions for the management of conflicts of interest:
 - Mechanisms for the identification of conflicts of interest
 - Measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest
 - Measures for the disclosure of conflicts of interest
- Provisions for compliance monitoring:
 - The processes, procedures and internal controls to facilitate compliance with the policy
 - Consequences of non-compliance with the policy by the provider's employees and representatives
- Certain disclosures:
 - The type of and the basis on which a representative will qualify for a financial interest that the provider will offer a representative and how this complies with the requirements of the financial interest provisions of the Code of Conduct
 - A list of all the FSP's associates
 - A list of all third parties in which the FSP holds an ownership interest, including the nature and extent of the interest
 - A list of all third parties that hold an ownership interest in the FSP, including the nature and extent of the interest

2. THE MANAGEMENT OF CONFLICTS OF INTEREST

2.1 IDENTIFICATION OF CONFLICTS OF INTEREST

The Conflicts of Interest Management Policy must provide mechanisms for the identification of conflicts of interest.

The occurrence or existence of an actual or potential conflict of interest may well, due to its intangible nature, be identified only once a subjective realization of its presence has been acknowledged by an individual. The legal duty to avoid, whenever possible, an actual or potential conflict of interest is therefore to a large extent dependant on whether an individual believes that there is a conflict of interest to begin with. It is for this reason that key individuals and representatives should arrive at their conclusions only once they have adopted reflective and honest internal dialogue on the subject matter.

Representatives

Throughout the process of rendering a financial service to a client a representative must apply his or her mind to answering the following questions:

- Is there any situation that exists that influences the objective performance of my obligations to my client?
- Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?
- Is there any situation that exists that prevents me from acting in the interest of my client?

If the answer to any one of these questions is ~~%no+~~, then no further action would be required.

If the answer to any one of these questions is ~~%yes+~~, then the following two questions must also be answered:

- Is the situation caused by an actual or potential relationship with a third party? (refer to the definition of a third party)
- Is the situation caused by an actual or potential financial or ownership interest? (refer to the definition of financial and ownership interest)

If the answer to any one of these questions is ~~%yes+~~, then an actual or potential conflict of interest has been identified.

(Note that a conflict of interest is not limited to a financial or ownership interest.)

Key Individuals

Throughout the process of rendering a financial service to a client, a key individual must apply his or her mind to answering the following questions:

- Is there any situation that exists that influences the objective performance of the representatives' obligations to their clients?
- Is there any situation that exists that prevents representatives from rendering an unbiased and fair financial service to their clients?

- Is there any situation that exists that prevents representatives from acting in the interest of their clients?

If the answer to any one of these questions is **no**, then no further action is required.

If the answer to any one of these questions is **yes**, then the following two questions must also be answered:

- Is the situation caused by an actual or potential relationship that the FSP has with a third party? (refer to the definition of a third party)
- Is the situation caused by an actual or potential financial or ownership interest of the FSP? (refer to the definition of financial and ownership interest)

If the answer to any one of these questions is **yes**, an actual or potential conflict of interest has been identified.

(Note that a conflict of interest is not limited to a financial or ownership interest.)

The contextual definition of the relevant sections referring to **influences the objective performance** and **unbiased and fair financial services** cannot be found within the legislation and its interpretive meaning must therefore be sourced from elsewhere.

Guidance note on “objective performance”

It is generally accepted that the word **objective** implies a situation where an individual's feelings or opinions are completely absent. The **objective performance** of an FSP's obligations therefore implies a situation where financial services are rendered without the influence of unrelated feelings or opinions. In the same vein, **unrelated feelings and opinions** denote separate, external persuasions or motivations where no causal link or nexus can be found between the particular feeling or opinion and the financial service that is rendered within the best interest of the client. Put differently, if an unrelated feeling or opinion of an individual influences the performance of such individual's obligations, it cannot be said to be an objective performance of that individual's obligation.

Guidance note on “unbiased and fair”

The word **bias** indicates an inclination or prejudice in favour of a particular person or viewpoint. Similarly, the word **fair** indicates a situation of just circumstances or treating people equally.

Unbiased financial services therefore imply financial services that do not lend itself to a particular preference towards a person or viewpoint, if an accompanying, reasonable justification for such preference cannot be found. Consequently, all unbiased financial services must necessarily comprise services that are capable of being motivated by readily discernable, logical reasons and explanations. **Fair** financial services on the other hand imply a situation where the same conclusion or outcome is consistently reached given the same exact set of circumstances. In other words, financial services cannot be said to be fair if a pattern of favouritism begins to present itself in relation to a particular person or service. Any unexpected inconsistencies towards a group of clients and/or a particular client must therefore again, have to be motivated by logic reasons and explanations.

Guidance note on “financial interest”

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

- Commissions as authorised under the Short-Term Insurance Act.
- Fees as authorised under the Short-Term Insurance Act if those fees are reasonably commensurate to a service being rendered.
- If fees over and above those authorised by the Short-Term Insurance Act are earned for the rendering of financial services, the client must have agreed to such fees in writing and the client must be able to stop these fees at its discretion.
- Fees or remuneration for the rendering of a service to a third party, which fees or remuneration must be reasonably commensurate to the service being rendered.
- An immaterial financial interest (refer to the definition).
- A financial interest not referred to above, 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 may not offer any financial interest to a representative of that provider for:

- Giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients.
- Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client.
- 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.

Mechanisms for Identification of Conflicts of Interest

The mechanisms implemented to identify actual or potential conflicts of interest for the FSP are:

- The Board of the FSP conducts quarterly reviews of all contracts held with third parties and re-examines whether this relationship influences:
 - the FSP's objective performance towards its clients
 - the FSP's ability to render fair and unbiased financial services towards its clients
 - the FSP's ability to act in the interest of its clients
- The Board of the FSP conducts quarterly reviews of all contracts held with third parties where an ownership interest is present, and re-examines whether this relationship influences:
 - the FSP's objective performance towards clients
 - the FSP's ability to render fair and unbiased financial services towards its clients
- Declarations are signed by the key individuals confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis.
- A list of all the FSP's associates is attached as an annexure hereto updated annually.
- A list of all parties in which the FSP holds an ownership interest is attached as an annexure hereto and is update annually.

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- A list of all third parties that hold an ownership interest in the FSP is attached as an annexure thereto and is updated annually.
 - All gifts received from third parties with an estimated value of R50 or more are recorded in the FSP's gift register which is kept on the FSP's compliance file.
 - All employees must disclose in writing to the Board of the FSP on an on-going basis any conflicts of interest that they may become aware of.
 - All records associated with the identification of an actual or potential conflict of interest are kept on the compliance file which is available for inspection purposes.

The mechanisms implemented to identify actual or potential conflicts of interest for representatives are:

- Declarations are signed by all representatives confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis.
- All representatives must disclose in writing to the Board of the FSP on an on-going basis, any conflicts of interest that they may become aware of.

2.2 AVOIDANCE AND MITIGATION

The FAIS General Code of Conduct requires that the Conflict of Interest Management Policy provides measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest.

Once an actual or potential conflict of interest has been identified the following measures will be followed in order to determine whether the conflict of interest is avoidable:

- The Board of the FSP will convene and review the actual or potential conflict of interest in an open and honest forum.
- All information surrounding the actual or potential conflict of interest must be disclosed to all interested parties.
- All information surrounding the actual or potential conflict of interest must be disclosed to the FSP's Compliance Officer.

The following consequences must be considered during the review process:

- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on clients.
- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the integrity of the financial services industry.
- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the FSP.

The Board of the FSP must apply its mind as to whether the FSP can obtain a more advantageous transaction, contract or arrangement with reasonable effort from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction, contract or other arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board of the FSP shall determine by a majority vote whether the transaction, contract or arrangement is in the best interest of the FSP and any affected clients and accordingly make its decision as to whether to enter into the transaction, contract or arrangement in conformity with such determination.

If the Board of the FSP has determined that the actual or potential conflict of interest is avoidable, the following processes must be adhered to:

- The Board must approve, by a majority vote, the removal of the underlying cause of the actual or potential conflict of interest.
- The underlying cause of the actual or potential conflict of interest must be removed as soon as reasonably possible.
- Any negative impact on clients owing to the removal of the actual or potential conflict of interest must be kept to a minimum.
- The reasons why the actual or potential conflict of interest was determined to be avoidable must be recorded.
- All determinations and interventions as they pertain to the avoidance of the conflict of interest must be documented and kept on the compliance file.
- Similar conflicts of interest must be avoided in the future.

If the Board of the FSP has determined that the actual or potential conflict of interest is unavoidable, the following mitigation processes must be adhered to:

- The Board will convene and review an appropriate mitigation process given the unavoidability of the particular set of circumstances.
- The reasons why the actual or potential conflict of interest is considered to be unavoidable must be recorded and kept on the compliance file.
- The FSP's Compliance Officer must be made aware of the conflict's unavoidability as well as the reasons for such unavoidability.
- The mitigation process will include the adoption of the following measures:
 - The actual or potential conflict of interest must remain only for as long as it is absolutely necessary given the unavoidability of the actual or potential conflict of interest.
 - Alternative arrangements to a proposed transaction, contract or arrangement that is the subject of the conflict of interest must be investigated on a continuous basis.
 - The rendering of financial services must at all times be conducted in the best interest of the client (in as far as this is possible, given the unavoidability of the actual or potential conflict of interest).
 - All representatives must be made aware of the actual or potential conflict of interest, and the reasons for its unavoidability.
 - Full disclosure of the actual or potential conflict of interest must be made to the client at the earliest reasonable opportunity.
 - Full disclosure of the actual or potential conflict of interest must be made to the Financial Services Board during the FSP's annual compliance report.

2.3 DISCLOSURE REQUIREMENTS

The FAIS General Code of Conduct requires that the Conflict of Interest Management Policy provide measures for the disclosure of conflicts of interest.

The FSP must make appropriate disclosures to third parties including clients as part of its arrangement to manage conflicts of interest. It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. The FSP is therefore committed to ensure that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them.

If is furthermore acknowledged that, whilst a clearly identified conflict of interest will not necessarily cause the provision of financial advice to a client to be significantly compromised, it should nonetheless be disclosed to the client. The client must be afforded the opportunity to decide for himself whether the conflict of interest is significant and to what extent he will rely on the advice or intermediary service.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavoidability, the following disclosure processes will be implemented on behalf of the FSP:

- Full disclosure of the actual or potential conflict of interest must be made to all key individuals of the FSP and where such information is provided orally, the FSP must confirm such information in writing within 30 days.
- Full disclosure of the actual or potential conflict of interest must be made to all representatives of the FSP.
- Full disclosure of the actual or potential conflict of interest must be made to the Compliance Officer of the FSP.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavoidability, the following disclosure processes will be implemented on behalf of the client:

- Full disclosure of the actual or potential conflict of interest must be made to the client at the earliest reasonable opportunity.
- The disclosure must be made before or when the financial service is provided, but in any case at a time that allows the client a reasonable time to assess its effect.
- The disclosure must be formulated in such way as to be considered prominent, specific and meaningful to the client.
- The disclosure must be made in such a way as to allow the client to make an informed decision as to whether to continue with the financial services.
- The disclosure must indicate the nature of the relationship or arrangement with a third party that gives rise to the conflict of interest.
- The disclosure must indicate whether the conflict of interest is based on a financial and/or ownership interest.
- The disclosure must indicate any ownership interest held with a product supplier in accordance with section 4(1)(d) of the General Code of Conduct.

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- Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days of such disclosure.
 - The written disclosure must be communicated by hardcopy, telefax or an appropriate electronic medium that is accurately and readily reducible to written or printed form.
 - The written confirmation of the disclosure may be provided by means of standard forms or format, in a clear and readable print size, spacing and format.
 - The reasons for the conflict of interest~~s~~ unavailability must be made available to the client on request.
 - The conflict of interest policy must be made available to the client on request.
 - The FSP~~s~~ gift register must be made available to the client on request.

3. MEASURES TO ENSURE COMPLIANCE

3.1 INTERNAL PROCESSES

The FAIS General Code of Conduct requires that the Conflict of Interest Management Policy provide processes, procedures and internal controls to facilitate compliance with the policy.

The processes associated with the implementation and continued compliance of the conflict of interest management policy must be performed by the Board of the FSP as well as by the appointed Compliance Officer.

The Board of the FSP will carry out the following internal controls and processes:

- ensure that this policy is kept on the compliance file
- ensure that all relevant staff sign the policy
- ensure that the annexure section of this policy is completed
- ensure the annual review of all contracts held with third parties
- ensure that all declarations confirming the presence or absence of any actual or potential conflict of interest are signed on a quarterly basis
- ensure that a list of all the FSP's associates is attached hereto and updated annually
- ensure that a list of all the parties in which the FSP holds an ownership interest is attached hereto and updated annually
- ensure that a list of all third parties who hold an ownership interest in the FSP is attached hereto and updated annually
- ensure that all gifts received from third parties with an estimated value of R50 or more are recorded in the FSP's gift register
- ensure that all records associated with the identification of actual or potential conflicts of interest are kept on the compliance file
- ensure that the proper disclosure requirements are communicated to the client

The appointed Compliance Office will confirm feedback of the compliance to each of the above items as part of the FSP's quarterly feedback report.

The policy will be:

- Overseen by the Board of the FSP who carries the responsibility for the implementation, reviewing and updating of the policy's associated processes.
- Reviewed at least annually, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest.
- Regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest.
- The Annexure section of this policy must be reviewed, updated and signed by the nominated key individual on an annual basis.

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- The Annexure section of this policy must be reviewed, updated and signed by the appointed Compliance Officer on an annual basis.

3.2 CONSEQUENCES OF NON-COMPLIANCE

The FAIS General Code of Conduct requires that the Conflict of Interest Management Policy provide for the consequences of non-compliance with the policy by the FSP's employees and representatives.

If there is reason to believe that an employee or a representative has failed to disclose actual or possible conflicts of interest, the Board of the FSB shall afford that person the opportunity to explain the alleged failure to disclose.

If after hearing the response of the employee or representative and making such further enquiries as may be warranted in the circumstances, and where the Board of the FSP determines that the employee or representative has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

BASES OF REPRESENTATIVES FINANCIAL INTEREST

In terms of Section 3A(2)(b)(ii) of the FAIS General Code of Conduct, a conflict of interest policy must specify the type of and the basis on which a representative will qualify for a financial interest that the provider will offer a representative and motivate how that financial interest complies with section 3A(1)(b).

The types of financial interests for which the FSP's representatives qualify are listed below.

Types of Financial Interests	Who Qualifies	Compliance with which Financial Interests Provision
There are no financial interests for which the FSP's representatives qualify.		

LIST OF ASSOCIATES

In terms of Section 3A(2)(b)(iii) of the FAIS General Code of Conduct, a conflict of interest policy must include a list of all the FSP's associates. (Refer to the definition of %associate+)

The FSP's associates are listed below.

Associate Name	Type of Relationship
JLT Insurance Holding Company (Pty) Ltd	Holding Company

OWNERSHIP INTERESTS OF THE FSP IN THIRD PARTIES

In terms of Section 3A(2)(b)(v) of the FAIS General Code of Conduct, a conflict of interest policy must include the names of any third parties in which the provider holds an ownership interest. (Refer to the definition of %third party+and %ownership interest+)

The third parties in which the FSP holds an ownership interest are listed below.

Name of Third Party	Nature and extent of ownership interest
There are no ownership interests by Eikos Risk Applications (Pty) Ltd in third parties.	

OWNERSHIP INTEREST HELD BY THIRD PARTIES IN THE FSP

In terms of Section 3A(2)(b)(vii) of the FAIS General Code of Conduct, a conflict of interest policy must include the names of any third parties that hold an ownership interest in the provider. (Refer to the definition of %third party+and %ownership interest+.)

The third parties that hold an ownership interest in the FSP are listed below.

Name of Third Party	Nature and extent of ownership interest
JLT Insurance Holding Company (Pty) Ltd	Holding company, owns 100% of the ordinary shares