



This policy is owned by Laurium Capital (Pty) Ltd a duly authorised
Financial Services Provider

(FSP licence number: 34142)

(referred to as the "FSP")

CONFLICTS OF INTEREST & FINANCIAL INTEREST PROVISIONS

Updated: April 2011

Purpose and Scope:

The purpose of this Conflict of Interest Policy is to outline a suitable approach and response to the identification and management of conflict of interest. The policy forms part of the Code of Ethics, Conduct and Compliance and should be read and understood in conjunction with said Code.

The primary objectives of this Policy are:

- i. To provide guidance on the behaviours expected in accordance with the FSP's standards;
- ii. To promote transparency and to avoid business-related Conflicts of Interest;
- iii. To ensure fairness in the interests of the employees and the FSP;
- iv. To document the process for the disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest;
- v. To provide a mechanism for the objective review of personal outside interests.

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 minimize and manage all real or potential conflicts of interest. The FSP and its representative must therefore avoid (or mitigate where avoidance is not possible) any Conflict of Interest between the FSP and a client or its representative and a client.

Definitions:

“Conflict of Interest”	any situation in which the FSP or its representatives has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her obligations to that client: or prevent the FSP or its representatives from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client, including, but not limited to <ul style="list-style-type: none">• a financial interest• an ownership interest• any relationship with a third party;
“Compensation”	any direct or indirect remuneration including any type of non-cash incentive such as gifts or favours that are substantial in nature;
“Conflicts Committee”	a committee consisting of one or more persons, appointed by the FSP, that is responsible for the implementation and disclosure requirements as defined in this Policy;
“FSP”	Laurium Capital (Pty) Ltd a Financial Services Provider authorised in terms of the Financial Services and Intermediary Act 2002;
“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, but excludes: <ul style="list-style-type: none">• an ownership interest

- training, that is not exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;

“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 provider who is a sole proprietor
- a representative for that representative’s direct benefit
- a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to representatives

Where the financial interest is for the representative’s *direct* benefit, the R1000 limitation applies to the *representative*. However, where a *provider aggregates the immaterial interest paid to its representatives* for itself or that of some or all of its representatives, the R1000 limitation is per *provider* (and not per representative);

“Third Party”

- a product supplier
- another FSP
- an associate of a product supplier or FSP
- a distribution channel
- any person who in terms of an agreement or arrangement with a person provides a financial interest to a provider or its representatives;

“Interested Person”

any director, shareholder, member, trustee, partner, representative or employee of the FSP who has a direct or indirect financial interest as defined below;

“Personal or Private Interest”

an Interested person has a personal or private interest if that person has, directly or indirectly, through business, investment or other means:

- a) an ownership or investment interest in any entity with which the FSP has a business transaction or arrangement, or
- b) a legal or beneficial interest in a financial product that is the subject of financial advice on the same financial product, or
- c) a potential ownership or investment interest in, or arrangement for compensation with any entity or individual with which the FSP is negotiating a business transaction or arrangement;

“Responsible Person”

a key individual, representative or employee of a product supplier or FSP;

“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 permanent life partner or spouse 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; 2009 12 15 FAIS-General Code (Col) draft for consultation Page 3 of 8;
 - 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.

Identifying and Disclosing Conflicts of Interest:

The FSP must ensure that adequate arrangements are in place for the management of conflicts of interest 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.

To adequately manage conflicts of interest, all Interested Persons must identify all relevant conflicts timeously and disclose in writing to the Conflicts Committee on an on-going basis, any conflicts of interest that they become aware of. The mechanisms to ensure all conflicts are identified are as follows:

- Compliance maintains a register of identified conflicts of interest. The register is compiled in conjunction with the Conflicts Committee, and updated with all new conflicts as soon as it is identified. The register is reviewed on an annual basis for completeness. The register identifies the conflict, the severity of the conflict and documented controls to mitigate the conflict.
- All employees, including compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the compliance officer of any conflicts they become aware of. The compliance officer will assess the implications of the conflict and how the conflict should be managed.
- At the earliest reasonable opportunity, the FSP and its representative must, in writing, disclose to a client any Conflict of Interest in respect of that client including –
 - Measures taken to avoid or mitigate the conflict;
 - Any ownership interest or financial interest that the provider or representative may be or become eligible for;
 - The nature of the relationship or arrangements 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 Conflict of Interest.
- At the earliest reasonable opportunity, the FSP and its representative must, in writing, inform a client of the Conflict of Interest Policy and how it may be accessed.
- Notification of an actual or potential Conflict of Interest should be made to a person with responsibility for the issue or area, such as the relevant management team, supervisor, head of the department or key individual.
- In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a Conflict of Interest with the FSP.
- Staff that fail to disclose a potential or actual Conflict of Interest in accordance with this policy may be liable to disciplinary procedures as governed by relevant industrial awards or agreements.

Disclosed Conflicts of Interest must be dealt with in one of the following manners:

- Investigate alternatives to a proposed transaction, contract or arrangement that is the subject of a disclosed conflict of interest.
- After exercising due diligence the Conflicts Committee should determine whether the FSP can obtain a more advantageous transaction, contract or arrangement with reasonable efforts 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 Conflicts Committee shall determine by a majority vote whether the transaction, contract or arrangement is in the best interest of the FSP and any affected client/s and accordingly make its decision as to whether to enter into the transaction, contract or arrangement in conformity with such determination.

Financial Interest Provisions:

The FSP may not offer any financial interest to its representatives for giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients; 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 supplier to a client.

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

- Commission and fees authorised under certain legislation (Long-term Insurance Act, Short-term Insurance Act and Medical Schemes Act);
- Fees for a financial service (not in terms of the legislation mentioned above). The client must agree to this in writing and it may be stopped at the discretion of the client;
- Fees/remuneration for rendering of a service to a third party which fees/remuneration must be reasonably commensurate to the service;
- An Immaterial Financial Interest.

A provider or representative may not avoid, limit or circumvent or attempt to avoid, limit or circumvent compliance with the above provisions through an associate or an arrangement involving an associate.

Mitigating Controls:

The FSP has various internal policies and controls in place to manage and mitigate possible conflicts of interest:

1. Disclosure of Conflicts.

The FSP should 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.

A representative will, in writing, at the earliest reasonable opportunity disclose to the client any conflict of interest in respect of that client. The disclosure must:

- a) be timely, prominent, specific and meaningful to the client;
- b) occur 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;
- c) refer to the nature of any relationship or arrangement with a third party to which the conflict of interest relates;
- d) include measures taken to avoid or mitigate the conflict;
- e) include any ownership or Financial Interest, other than an Immaterial Financial Interest that the representative may become eligible for; and
- f) inform the client of the conflict of interest management policy and how it may be accessed.

It 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 him/herself whether the conflict of interest is significant and to what extent he/she will rely on the advice; and
 - remuneration practices that place the interests of the FSP or its representatives in direct and significant conflict with those of the FSP's clients, should be avoided, and not merely disclosed.
2. Conflict of Interest Register, open for viewing on request. The register identifies all conflicts as well as the mitigation controls put in place to manage the conflict. The register is updated when a conflict becomes apparent, but reviewed as least on an annual basis.
 3. Personal Interest Register, documenting the business interests of a Responsible Person to the extent that such business interest might cause an actual or perceived conflict of interest.
 4. Gift Register, document all Financial Interests and Immaterial Financial Interests offered to or received by the Responsible Person.
 5. Comprehensive training on the Conflict of Interest Policy will be provided by the external Compliance Officer on an annual basis.
 6. All employees and representatives are required to read this policy and sign a statement to the effect that they have read and fully understand the provisions of the document and the application thereof.
 7. Internal compliance will on an ad hoc basis check on financial records to ensure the policy is being complied with, specifically checking the accuracy of the Gift Register.

Violation of the Conflicts of Interest Policy:

If there is reason to believe that an Interested Person has failed to disclose actual or possible conflicts of interest, the Conflicts Committee shall afford that person the opportunity to explain the alleged non-compliance.

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

Any avoidance, limitation or circumvention of this policy will be deemed non-compliance.

Review of the Conflicts of Interest Policy:

This policy will be:

- regularly reviewed, internally or by a outside party such as an auditor or compliance officer, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest; and
- overseen by the Conflicts Committee who carry responsibility for the implementation, reviewing and updating process.

Practical Guide:

1. The R1000 Rule

Key Individuals and Representatives of the FSP are not allowed to spend on, or receive from Key Individuals or Representatives of other FSPs an “immaterial financial interest” of more than R1000 per year.

This includes, but is not limited to:

- Meals
- Golf days
- Gifts, e.g. wine
- Tickets for rugby or cricket matches
- Hunting trips

Note that the R1000 limit applies per Representative, and not per FSP or Product Supplier.

Example: an FSP has 50 representatives on its licence. Laurium Capital (Pty) Ltd may spend R1000 per year in “immaterial financial interest” on each individual representatives of the FSP. You may not aggregate this amount across the FSP, and spend say R3000 on some representatives, and average the amount out by not spending any money on some of the

representatives. Similarly, representatives from Laurium Capital (Pty) Ltd may not receive more than R1000 worth of gifts, hospitality, meals etc from another FSP or Product Supplier in a calendar year.

2. Bona fide training/information sessions

Specifically excluded from the above prohibition, is bona fide training on products and/or technical systems, or general industry information sessions. Please note:

- The FSP is not allowed to pay for the accommodation or travel costs of the attendees
- Lunch or beverages may be provided with these sessions, as long as it is incidental to the session, and provided that it is not the focus of the session.

Example: Representatives of Laurium Capital (Pty) Ltd may attend an industry information session at a FSP or Product Supplier's offices.

- Representatives are responsible for their own costs in terms of accommodation, travel costs and spending money at the event
- Meals and drinks may be provided, as long as it is incidental to the training/information session, and not excessive.