



# FAIS Conflict of Interest (COI) Management Policy

Applicable to Direct Axis SA (Pty) Ltd - FSP 7249 and FSP 5





## 1. Introduction

Direct Axis SA (Pty) Ltd is a licenced Financial Service Provider authorised to market and sell insurance products, licence numbers FSP 7249 and FSP 5.

As an authorised FSP, DirectAxis is obliged to comply with the prescribed Conflict of Interest provisions of the FAIS Act. All employees of the Company who are involved in the business of the Company are obliged to conduct themselves in a professional manner and in line with this Policy. This document details the DirectAxis Conflict of Interest Management Policy and it applies to all its employees.

While DirectAxis places a high priority on its clients' interests and notes that conflict of interest affecting its clients could undermine the integrity and professionalism of its business when giving advice and providing intermediary services, any conflict situations must be identified as early as possible. If conflict situations cannot be avoided, they must be managed equitably and in the client's interest. Accordingly it follows that detecting potential or recognised conflicts of interest that could compromise the interest of its clients, managing and limiting the impact of such conflicts of interest constitute an integral part of DirectAxis' duties and obligations. This document details the DirectAxis Conflict of Interest Management Policy and it applies to all its employees.

## 2. Statutory Definition of COI

**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:

- 2.1 Influence the objective performance of his, her or its obligations to that client, or
- 2.2 Prevent a provider or representative 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:
  - 2.2.1 A financial interest,
  - 2.2.2 An ownership interest, or
  - 2.2.3 Any relationship with a third party.

**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:

- 2.3 An ownership interest, or
- 2.4 Training, that is not exclusively available to a selected group of providers or representatives, on:
  - 2.4.1 Products and legal matters relating to those products,
  - 2.4.2 General financial and industry information, or
  - 2.4.3 Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

**Immaterial financial interest** means any financial interest with a determinable monetary value, the aggregate of which does not exceed a R 1 000 in any calendar year from the same third party in that calendar year received by:

- 2.5 A provider who is a sole proprietor,
- 2.6 A representative for that representative's direct benefit, or
- 2.7 A provider who for its benefit or that of some or all of its representative aggregates the immaterial financial interest paid to its representatives.

**Third party** means:

- 2.8 A product supplier,
- 2.9 Another provider,
- 2.10 An associate of a product supplier or a provider,
- 2.11 A distribution channel, or
- 2.12 Any person who in terms of an agreement or arrangement with a person referred to in paragraphs 2.8 to 2.11 above provides a financial interest to a provider or its representatives.

**Associate**, in relation to a juristic person:

- 2.13 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,
- 2.14 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,
- 2.15 Which is not a company or a close corporation as referred to in subparagraphs 2.13 or 2.14, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:
  - 2.15.1 Had such first-mentioned juristic person been a company, or
  - 2.15.2 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.
- 2.16 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.

**Ownership interest** means:

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

**Distribution channel** means:

- 2.19 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,
- 2.20 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, or
- 2.21 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.

**Key individual** means any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial services.

### 3. This Policy Applies to All Employees

If you are a permanent or temporary employee, a director, officer, agent or independent contractor for DirectAxis, this policy applies to you.

## 4. Role of Senior Management

Senior managers including key individuals who are responsible for oversight of the activities of the regulated entities are responsible for implementing appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within their divisions.

It is the responsibility of senior management to implement the conflict of interest management policy, procedures and controls to manage conflicts effectively.

## 5. Role of All Employees

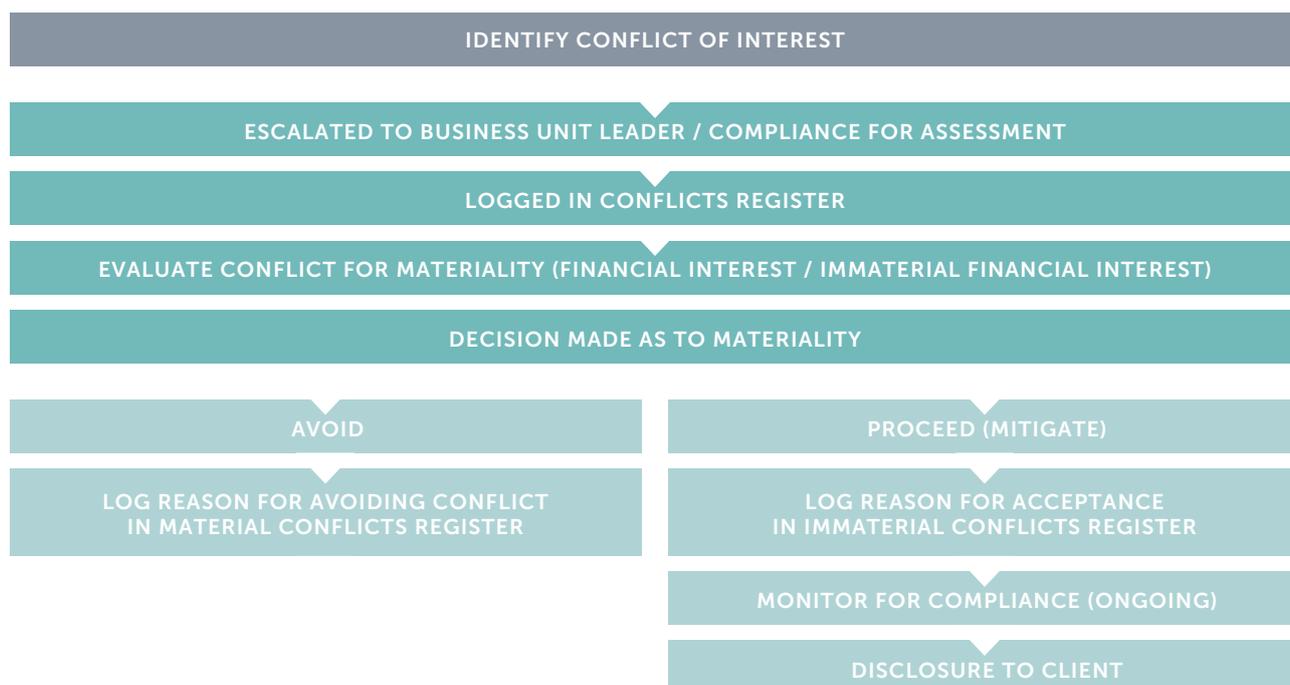
All DirectAxis employees are obliged to report actual, perceived or potential conflicts of interest. The failure of employees to notify management to the potential conflict of interest may result in disciplinary action being taken against the affected individual/s.

## 6. Policy Statement

DirectAxis expects all its employees to maintain the highest standards in carrying out their business activities, adhering to legislative requirements and our policies on business conduct. DirectAxis expects its employees to act professionally, honestly and ethically in all their dealings with clients, colleagues and third parties. DirectAxis thus has a clear policy on Conflict of Interest:

- 6.1 Conflict of Interest should always be avoided wherever possible and if not, mitigated.
- 6.2 Conflict or potential Conflict of Interest must always be disclosed as per procedure.

## 7. Management of COI



### **STEP 1: Identify the conflict**

When you identify a conflict of interest, even if you are not sure if it is a conflict, you have a duty to report it first to the Business Unit Leader, who will inform the Compliance Officer and record it in the Conflict of Interest Register.

### **STEP 2: Manage the conflict**

The relevant Business Unit Leader and the Compliance Officer or Risk Officer to manage the conflict of interest by doing an evaluation and deciding on what steps to take. The evaluation must include:

- The existence of the conflict of interest,
- A description of what the conflict is,
- Its impact,
- The measures taken to mitigate and manage it, and
- The customer's free choice whether he wishes to continue with purchasing the product.

### **STEP 3: Avoid the conflict**

If the evaluation found that it was feasible for the conflict to be avoided by ending the situation, this should be done at this point.

**OR**

### **Mitigate or control the conflict**

If it is not feasible to avoid a conflict of interest, it must be managed. Business Unit Leader working with Compliance/Risk Officer must develop:

- Control measures to reduce any negative effect on the customer, and
- An appropriate system to inform customers about the conflict, its possible negative effects and what DirectAxis has done to reduce the possible effects.

### **STEP 4: Disclose the conflict**

Disclose to the customer in writing:

- What we have done to manage or mitigate the conflict, and
- Details about any relationship with a third party that has caused the conflict of interest, details about any 'ownership interest' or 'financial interest' DirectAxis or an employee may have that would benefit the employee or company.

### **Business Unit Management, Key Individuals and Compliance Officers must work together**

There are joint responsibilities of Business Unit Managers, Key Individuals and Compliance Officer. These are:

- Evaluating potential and actual conflicts of interest,
- Working out the best ways to ensure that monitoring complies with the FAIS Code of Conduct,
- When and how to report on conflict as well as reviewing these reports regularly, and
- Review of this policy annually to ensure that it remains relevant and appropriate to meet the statutory requirements

## **8. Financial Interests Offered to DirectAxis Representatives**

DirectAxis may offer its representatives sales incentives, in addition to their basic salary, based upon a combination of:

- 8.1 The quantity of new business, and
- 8.2 The quality of the service rendered to customers (as measured by the DirectAxis Quality Assurance Department).

No sales incentives may be offered to representatives for preferring one product over another that may be offered to a customer.

## 9. Financial Interests Offered by DirectAxis to Third Parties

DirectAxis may only offer the following financial interests to third parties:

- 9.1 Commission authorised under the Long Term or Short Term Insurance Acts as well as the Medical Schemes Act,
- 9.2 Fees that are reasonably in line with the service being rendered and authorised under the Long Term or Short Term Insurance Acts as well as the Medical Schemes Act,
- 9.3 Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees:
  - 9.3.1 Are specifically agreed to by a client in writing, and
  - 9.3.2 May be stopped at the discretion of that client,
- 9.4 Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably in line with the service being rendered,
- 9.5 Any immaterial financial interest as defined in the FAIS General Code of Conduct, and
- 9.6 Any other financial interest, for which consideration that is reasonably in line with the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

## 10. List of DirectAxis Associates

The following entities are associates of DirectAxis

- 10.1 DirectAxis Intermediary Services (Pty) Ltd 1998/016355/07
- 10.2 Rapinvest 46 (Pty) Ltd 2004/020224/07

## 11. Third Parties Which DirectAxis Holds an Ownership Interest

DirectAxis holds an ownership interest in the third parties as detailed below:

- 11.1 Sanlam Personal Loans (Pty) Ltd 2001/016316/07
- 11.2 Clientèle Loans Direct (Pty) Ltd 2007/030539/07
- 11.3 RedAxis (Pty) Ltd 2015/414286/07

## 12. Third Parties Who Hold An Ownership Interest

The following third parties hold an ownership interest in DirectAxis:

- 12.1 WesInvest Holdings Ltd 2013/197770/07

## 13. Third Parties with Which DirectAxis has a Profit Sharing Arrangement

- 13.1 Telesure Group Services (Pty) Ltd 1998/010167/07
- 13.2 Clientèle (Pty) Ltd 2007/026058/07

## 14. Consequence of Non-Compliance with this Policy

Failure to comply with the provisions of this policy by any staff member or FAIS representative shall constitute serious misconduct and will result in disciplinary action being initiated against such staff member or representative.