



Klips

Klips SA (PTY) LTD – Conflict of Interest Policy



Content

1.	PURPOSE.....	4
2.	SETTING THE SCENE - UNDERLYING PRINCIPLES	4
3.	IMPORTANCE OF A CONFLICTS OF INTEREST POLICY AND MECHANISMS FOR MANAGING THEM.....	5
4.	SENIOR MANAGEMENT RESPONSIBILITIES.....	5
5.	CONFLICTS OF INTEREST - A DEFINITION.....	6
6.	PROCEDURE TO BE FOLLOWED, IF A CONFLICT EXISTS	6
7.	TYPES OF CONFLICTS	6
7.1.	Moonlighting.....	7
7.2.	Service on Boards and Committees	7
7.3.	Self Dealing Transactions	7
7.4.	Gifts and Improper Personal Benefits.....	7
8.	Provisions Specific to Staff and investment in private companies	7
9.	NON- CASH INCENTIVES AND INDIRECT CONSIDERATIONS	8
10.	OTHER OBLIGATIONS	9
11.	DOCUMENTATION AND RECORDKEEPING	9
12.	CONTROLLING AND AVOIDING CONFLICTS OF INTEREST	10
13.	ENSURING ARRANGEMENTS ARE ADEQUATE	10
14.	ENSURING ARRANGEMENTS ARE IMPLEMENTED AND MAINTAINED	10
15.	INTERNAL STRUCTURES.....	11
16.	REMUNERATION	11
17.	TREATING CLIENTS FAIRLY.....	11
18.	AVOIDING CONFLICTS OF INTEREST	12
19.	DISCLOSING CONFLICTS OF INTEREST	12
19.1.	TIMELY, PROMINENT, MEANINGFUL DISCLOSURE	12
19.2.	DISCLOSURES FOR FINANCIAL PRODUCT ADVICE	13
19.3.	WHEN DISCLOSURE BECOMES INAPPROPRIATE.....	13
20.	CHECKLIST TO AID IN CONTROLLING AND AVOIDING CONFLICTS OF INTEREST.....	14
21.	CONFLICT MITIGATION AND MARKET PRACTICE-DEVELOPING STRENGTHENED PROCEDURES AND FORMAL CONFLICTS OF INTEREST POLICIES.....	14
22.	ANNEXURE A POLICY FRAMEWORK - FSP PROCEDURES FOR HANDLING CONFLICT OF INTERESTS.....	16
22.1.	CONFLICTS OF INTEREST-FSP PROCEDURES	16
22.2.	PROCEDURES (AMEND AS APPROPRIATE).....	17
22.3.	ROLE OF COMPLIANCE	18



22.4.	ROLE OF ALL EMPLOYEES IN FSP	18
22.5.	Role of all senior management.....	18
23.	ANNEXURE A Conflict of Interest Questionnaire.....	19
24.	ANNEXURE B DISCLOSURE OF AFFILIATIONS - DISCLOSURE OF INTERESTS AND CONTROL MEASURES	20



1. PURPOSE

The purpose of a conflicts policy is to outline a suitable approach and response to the identification and management of conflicts of interest. Potential conflicts of interest are inherent in any business, therefore it should not be the aim of a financial services provider to avoid all conflicts of interest but rather to identify and manage any potential conflicts that may arise.

This policy should be read and understood by all affected employees. The guidelines and recommendations contained herein should be considered and applied where relevant, and employees should raise any queries regarding potential conflicts of interest to their manager.

2. SETTING THE SCENE - UNDERLYING PRINCIPLES

In the financial services industry, conflicts of interest can be described as circumstances where some or all of the interests of clients to whom a financial services provider (“FSP”) provides financial services are inconsistent with, or diverge from, some or all of the interests of the FSP or its representatives.

Adequate conflicts management helps to minimise the potential adverse impact of conflicts of interests on clients. Without adequate conflicts management, FSPs whose interests conflict with those of the client are more likely to take advantage of that client in a way that may harm that client and may diminish confidence in that FSP and in the financial services industry as a whole.

Adequate conflicts management should also help an FSP to ensure that the quality of their financial services is not significantly compromised by conflicts of interests.

While it is conceded that all potential conflicts of interest do not necessarily manifest themselves into actual conflicts, it is submitted that the very perception of bias is a negative one, and carries a negative impression of the industry.

Conflicts of interest management needs to be addressed in order to enhance the levels of professionalism and perceived professionalism of the financial services industry. Disclosure on its own is not always adequate. Management of conflicts as well as transparent, effective disclosure needs to be achieved.

Whereas it is reasonable to expect financial services providers to manage and avoid conflicts of interests, it can be difficult for them to adhere to this principle in an environment where product suppliers are constantly devising reward and remuneration schemes that present conflicts of interests and encourage behaviour that could result in unsuitable sales. It is submitted that this results in an unhealthy tension between the FSP’s FAIS obligations on the one hand and the enticements on offer in the market on the other.

The same disclosure and avoidance of conflict of interest requirements should be simultaneously applied to all competing product types to avoid both inconsistency and the situation where less regulated industries profit at the expense of those whose practices have been curtailed.

FAIS legislation already requires an FSP to disclose conflicts of interest to its clients. The FAIS General Code of Conduct for Authorised Financial Services Providers and Representatives currently requires an FSP to disclose to the client the existence “of any circumstance which gives rise to an actual or potential conflict of interest, and take all reasonable steps to ensure fair treatment of the client”. “Non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest”.

However, there does not appear to be a common understanding of what indirect benefits need to be disclosed, or how disclosure is to be carried out. Disclosure of direct and indirect benefits is generally not made in a consistent or transparent manner across the industry. This has resulted in the perception that non-cash and indirect incentives are not being disclosed,



or where they are disclosed, such disclosure is vague and inadequate. This is extremely damaging to the public's perception of the integrity of the financial services industry.

3. IMPORTANCE OF A CONFLICTS OF INTEREST POLICY AND MECHANISMS FOR MANAGING THEM

It is a requirement that all Financial Services Providers ("FSPs") keep internal written conflicts management policies for their businesses.

FSPs need to understand what minimum arrangements they need to have in place to comply with their obligations under FAIS and other legislation.

Managing conflicts of interest should form a fundamental part any risk management programme of FSPs. All FSPs should be in a position to identify, assess and respond to the conflicts of interest that arise in their businesses.

To comply with any conflicts management obligation FSPs should have arrangements in place to manage all conflicts of interest affecting their business. These arrangements must involve the following mechanisms:

- **Controlling Conflicts of Interest**- identify the conflicts that exist, assess and evaluate the conflicts; decide upon and implement, an appropriate response to those conflicts
- **Avoiding Conflicts of Interest altogether** - If serious potential impact on a FSP or a client of a FSP. Merely disclosing them and imposing internal controls is not enough.
- **Disclosing Conflicts of Interest appropriately** - An integral part of managing conflicts. Clear, concise and effective disclosure so that client can make an informed decision. What constitutes appropriate disclosure to a client will depend on all facts presented and a number of circumstances including the level of financial literacy of the client, the extent to which other clients are likely to rely, directly or indirectly, on the service, how much the client already actually knows about the specific conflict and the complexity of the service being presented to the client.

Where conflict may arise avoidance or declining to act for the client is the safest course of action but is often simply not a practical solution. If the conflict is to arise then it must be managed effectively using a combination of tools namely:

- Disclosure: disclosing an interest to a client
- Chinese Walls
- Internal Policies and Procedures: systems and controls to minimize the impact that any conflict is likely to have on the client's interest
- An FSP should demonstrate that any activity it undertakes does not disadvantage a client.

All FSPs must go beyond their disclosure obligation, and be able to demonstrate that they have management procedures in place to assess impact and manage conflicts which are to be monitored to ensure that such procedures have been complied with.

4. SENIOR MANAGEMENT RESPONSIBILITIES

Senior management are responsible for the creation, implementation and oversight of appropriate processes and procedures for the effective management of conflicts of interest within their organizations. There is no 'one size fits all' that can effectively address the full range of conflicts of interest that arise in the business of the FSP.

In summary:



- Senior management should be engaged fully in all aspects of conflicts identification and management and take a broad view of the risks posed to their business. The responsibility needs to be allocated to accountable individuals and controls to mitigate conflicts need to be reviewed on a regular basis.
- Senior management are responsible for ensuring that the broad spread of conflict risk to which their business is exposed is addressed, including latent and emerging conflicts. They need to make informed judgments about the materiality of the conflict risk. A business culture that supports the management and mitigation of conflicts of interest will greatly aid in the process.

FSPs should consider the wider issues of dealing with clients in a manner that is fair and seen to be fair: Businesses should take a critical view of how conflicts may affect the fair treatment of clients, and to respond accordingly. Clear guidance should be in place for employees on how to recognise a potential issue and when to escalate matters to senior management.

By having an adequate conflicts policy in place an FSP will assist in minimalising the potential adverse impact of conflicts of interest on clients. Such arrangements thereby help promote consumer protection and maintain market integrity.

5. CONFLICTS OF INTEREST - A DEFINITION

For the purpose of this policy document, conflicts of interest are circumstances where some or all of the interests of people (clients) to whom a FSP (or representative/key individual) provides financial services are inconsistent with, or diverge from, some or all of the interests of the FSP. This may include actual, apparent and potential conflicts of interest.

6. PROCEDURE TO BE FOLLOWED, IF A CONFLICT EXISTS

A conflict of interest exists if a relevant person is in a position to make or influence a decision about whether and how to proceed with the proposed transaction and has an affiliation with any other party to a business transaction. An apparent conflict is one that a sceptical viewer might reasonably believe might cause the relevant person's decision to be tainted by self-interest.

In order to ensure proper corporate governance, and the accountability and transparency of our organisation, relevant persons are required to declare any private interests that might affect the carrying out of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared on the Register of interests. These are personal or business interests that might influence their judgement, deliberation or action as employees of the financial services provider, or which might be perceived by a reasonable member of the public as doing so.

Relevant persons must consider whether they need to disclose personal involvement with persons or organisations which members of the public might reasonably think could influence their judgement.

Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the compliance officer.

7. TYPES OF CONFLICTS

The provider must disclose to the client the existence of any personal interest in the relevant service, or of any circumstances which gives rise to annual or potential conflict of interest in relation to such service, and take all reasonable steps to ensure fair treatment of the client.



7.1. Moonlighting

One may not engage in any employment or activity other than for (the FSP) in any business in which the FSP is engaged or contemplates engaging. While employed at the FSP, your full business energies and time should be devoted exclusively to the FSP's business. If one wishes to pursue a second job with any other entity or to participate in an outside business venture ("**Moonlighting**"), one must ensure that the engagement in such activity does not create a conflict with the interests of the FSP or in any way use or risk disclosure of the confidential information of the FSP. Any outside activity should be strictly separated from the FSP's employment and should not harm one's job performance at the FSP. To avoid problems in this area, one should be required to disclose and receive approval from compliance/senior management prior to engaging in any such activity. Employees who are executive officers of the FSP should obtain such prior approval from the Board of Directors (the "**Board**").

7.2. Service on Boards and Committees

Employees must obtain approval prior to accepting any position to serve on a board of directors, an advisory board or on a committee of any entity. Employees who are not executive officers should obtain approval from relevant persons before accepting any board or committee position. The FSP should at any time be able to rescind prior approvals to avoid a conflict or appearance of a conflict of interest for any reason deemed to be in the best interests of the company.

7.3. Self Dealing Transactions

The FSP should not engage in any self dealing. Generally speaking, sales of property, goods, or services; exchanges and loans between the FSP and a disqualified person (such as a director or officer or a member of their families); payment of compensation to a disqualified person; and use of FSP assets by or for the benefit of a disqualified person constitute self-dealing and should be prohibited as a matter of course.

7.4. Gifts and Improper Personal Benefits

No employee should obtain any material personal benefits or favors because of his or her position with the financial services provider.

Example of a gift policy: Directors, advisors, and staff members, and members of their families, may not knowingly receive or accept any pecuniary gain or anything else of value (including gifts, honoraria, loans, and entertainment) from recent, current, or potential grantees, vendors, suppliers, consultants, or others who have existing or proposed business or grantor-grantee relationships with the FSP. It is permissible to accept gifts of nominal value, meals, and social invitations that are in keeping with good business ethics and do not obligate the recipient to take or refrain from taking any action or decision on behalf of the FSP. Where it would be awkward to decline a gift, it should be accepted on behalf of the FSP, and senior management should be consulted as to its disposition.

8. PROVISIONS SPECIFIC TO STAFF AND INVESTMENT IN PRIVATE COMPANIES

An employee's private interest cannot interfere with the interests of the financial services provider. Employees of the FSP have a full-time responsibility to the FSP and may not engage in activities that would interfere with the discharge of this responsibility. No employee may have business dealings with the financial services provider beyond receipt of salary and personnel benefits and reimbursement of authorized expenses.



Permission will be granted only when it is determined that the interests of the FSP are not compromised by the service to the other organization. Full disclosure of the relationship should be a requirement. If any recommendation goes forward, the disclosure must be presented to the Board and recorded in the Board minutes.

Employees may find themselves in a position to invest in clients of the FSP, partners or suppliers. It is imperative that employees presented with such opportunities understand the potential conflict of interest that may occur in these circumstances. Investing in private companies with which the FSP has an actual or potential business relationship may not be in the best interests of the FSP. The following guidelines are intended to cover such circumstances:

9. NON- CASH INCENTIVES AND INDIRECT CONSIDERATIONS

Non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest.

Material benefits are any forms of non-cash incentives or benefits that are R500.00 or more in value for any single item or part thereof, including benefits that are passed to the spouse, partner, family member, business associate or employee of a provider or provider's representative by a product supplier; and also includes such non-cash incentives or benefits that amount to more than R1000 per natural person from a single product supplier over any calendar year.

Non-cash incentives include (non-exhaustive list):

- Overseas trips-incentivised
- Domestic trips-incentivised
- Sponsorships by product suppliers for financial services providers
- Gifts that amount to material benefits-motor vehicles, gift vouchers, loans on more favourable terms
- Payment or provision of all or part of the costs of any business service or other business expense, including but not limited to: Office rental; Computer hardware and commercial software
- Entertainment
- Domestic educational or professional development conferences
- Sponsorship of domestic provider events, including conferences, by a product supplier
- Accommodation and travel costs where the provider is invited as a speaker at a domestic conference/professional development event held by a product supplier
- Access to preferential, differentiated service and/or training and/or advice facilities, and the like
- Shareholdings, equity entitlements, sales quota obligations or performance fee entitlements that they, or an entity in which they have an interest, have in the product suppliers of the products or administrative financial services providers that the provider and/or its representatives recommend to clients
- The fact that during the preceding 12 month period, the provider received more than 30% of total remuneration, including commission from the product supplier;
- Where a provider markets or gives advice in respect of the products of more than one product supplier, should the representatives of such provider be rewarded in any way that could, or could be perceived to, bias advice in favour of one product supplier over another, this fact must be disclosed;



- Where a provider markets or gives advice in respect of the products of one or more product suppliers, should the representatives of such provider be rewarded in any way that could, or could be perceived to, bias advice in favor of one particular product or underlying product option over another, this fact must be disclosed
- Computer software linked to a product supplier's products, such as a product-linked advice tool
- Benefits that are not material and are not in the form of cash or gift vouchers.
- Professional development conferences/courses that meet the following criteria: eg. The conference may be for no longer than three days and two nights.

10. OTHER OBLIGATIONS

Other obligations already exist in and outside of FAIS, which deal with or relate to conduct potentially affected by conflicts of interest, including

- A FSP must have acted with due care and skill and in their clients' best interest. This includes numerous statutory contact stage disclosures, which includes conflicts of interest. The obligation to operate with due care and skill and in the best interest of the client and the conflicts management obligation is all interconnected. A FSP is unlikely to act with any due skill if they have inadequate policies in place surrounding conflicts of interest.
- The obligation to have adequate risk management systems in place
- The obligation to comply with all financial services laws
- To have adequate compliance arrangements
- The FSP's obligation to disclose any non-cash incentives or indirect considerations relating to a sale of a financial product.
- A range of prohibitions, including for misleading or deceptive conduct in the provision of a service, and insider trading
- The duties of a responsible entity of a registered collective investment scheme, including duties to act in the best interests of the members of the scheme and, if there is a conflict between the member's interests and its own interest, to give priority to the members' interests.

Many FSPs are also bound by common law obligations that affect their management of conflicts of interest, for example fiduciary obligations to their clients to whom they render advice.

An appropriate internal complaints escalation process must be created in order to provide complainants an alternate platform or mechanism to escalate their complaint should the initial complaint not be upheld to their satisfaction.

11. DOCUMENTATION AND RECORDKEEPING

For any conflicts arrangements to be deemed adequate, they need to be documented. This generally involves having a written conflicts management policy (can form part of an existing compliance manual or internal procedures guide). Please refer to the Annexures provided at the end of the manual.

FSPs should keep records for at least 5 years of

- Conflicts identified and actions taken;
- Any reports given to the FSP's senior management about matters relating to conflicts;



- Copies of written conflicts of interest disclosures given to clients.

Example

- All FSPs should keep copies of written conflicts disclosures given to individual clients or otherwise made available (e.g. on a website)

12. CONTROLLING AND AVOIDING CONFLICTS OF INTEREST

Clearly it is not practical to prohibit all conflicts of interest regardless of impact. Any policy should not dictate that a FSP could never provide a financial service if a conflict of interest exists. Rather any policy must advocate that all conflicts of interest be adequately assessed for impact, reported to the compliance function and/or senior management who will then decide how to proceed, i.e. either to proceed with caution, or in severe cases to avoid the conflict altogether.

If it is decided to proceed the conflict can be normally managed by a combination of internal controls and appropriate disclosures.

Depending on the circumstances and the nature of any given conflict, it may be appropriate to:

1. Disclose the conflict of interest to the client;
2. Allocate another representative to provide the service to the client;
3. Decline to provide a service to the client;
4. Initiate internal/external disciplinary action (referring matter to regulator for instance) where warranted.

What constitutes an appropriate response to a given conflict of interest will always depend on the circumstances and facts of the case.

13. ENSURING ARRANGEMENTS ARE ADEQUATE

One must identify the conflicts and control the effects of those conflicts on the provision of financial services so that the quality of the service is not significantly compromised.

Robust and effective internal policies and procedures need to be in place to address potential conflicts emerging.

FSPs must have monitoring procedures in place to ensure that any non-compliance with the FSP's conflicts management arrangements are identified and appropriately acted on. The FSPs in conjunction with compliance, must record any action taken on breaches for instance.

Note: Systemic instances of non-compliance with a conflicts policy will suggest that the arrangements themselves are inadequate.

Any arrangements must be tailored according to the nature, scale and complexity of the business.

14. ENSURING ARRANGEMENTS ARE IMPLEMENTED AND MAINTAINED

FSPs must ensure that the conflicts arrangements they have in place to control conflicts of interest are:

1. Approved and endorsed by senior management;



2. Designed according to the nature, scale and complexity of the FSP business;
3. Effectively implemented (accompanied by effective compliance monitoring) ;
4. Regularly reviewed to ensure adequacy;
5. Overseen by a member of the senior management team who takes responsibility for implementation, reviewing and updating.

15. INTERNAL STRUCTURES

It is important that internal structures and reporting lines support a FSP's management of conflicts. FSPs for instance should carefully consider whether it is appropriate:

1. To have advisory staff reporting to marketing staff;
2. For stand-alone advice units within the organisation to be in the same physical location as sales or investment management staff.

Robust information barriers may help a FSP manage conflicts. By insulating one group of staff from the information or other circumstances that give rise to a particular conflict, so that the group is not affected by the conflict.

16. REMUNERATION

FSPs need to consider their remuneration practices (including non monetary) as part of ensuring that they operate efficiently, honestly and fairly.

1. If a product provider pays a higher rate of commission to an FSP for achieving certain volumes of sales, one would expect disclosure to be part of how the FSP manages that conflict.
2. Trustees taking fees based on funds under management should consider how to ensure they address any tendency to act other than in the best interests of their clients.

Disclosure to clients is an adequate mechanism for controlling conflicts of interest arising from remuneration practices.

Remuneration practices that place the interests of the FSP in direct and significant conflict with those of its clients should be avoided (and not merely disclosed)

1. The need for a robust policy is likely to be higher where a FSP relies heavily on commission-based remuneration
2. When providing advice to clients, advisers are specifically obliged to ensure their advice is appropriate (regardless of remuneration)

17. TREATING CLIENTS FAIRLY

All FSPs must treat their customers fairly. Providers must:

- Not provide financial services that unfairly puts the interests of the FSP ahead of that of their clients;
- Not provide financial services in a way that unfairly puts the interests of one client ahead of the interests of other clients;



- Not use knowledge about clients in a way that is likely to advance their own interests without sufficient disclosure to affected clients. (Transparency in disclosure)

FSPs need to manage conflicts between the interests of various clients (Existing/potential) as well as conflicts between the FSP's own interests and those of their clients.

Example: FSPs should avoid situations where they unfairly favour one client or group of clients over another client or clients. This includes avoiding the scenario known as late trading where a client is permitted to trade in interests in a managed fund after the relevant trading period has closed (and in some instances after prices have been set).

18. AVOIDING CONFLICTS OF INTEREST

Certain conflicts have such a serious potential impact on a FSP or its clients that the only way to adequately manage those conflicts will be to avoid them. In these cases simply disclosing them and imposing internal controls may be inadequate.

Examples:

1. FSPs should not permit their staff to offer to publish or give positive advice about a particular financial product issuer, or include their product on a recommended list, solely in return for benefits or continuing business from that issuer.
2. FSPs should not disclose pending client orders to third parties associated with the FSP (which would enable the third party to trade ahead of the client)
3. Discretionary FSPs should not permit 'late trading' by some of their clients and
4. Where an adviser is significantly affected by conflicts of interest for particular financial product advice, the adviser may need to decline to provide the advice.

FSPs are responsible for their own conduct and that of their representatives. As far as possible, FSPs should avoid placing themselves in a position where there is material conflict between their own interests and those of their clients.

19. DISCLOSING CONFLICTS OF INTEREST

FSPs should make appropriate disclosure to clients as part of any arrangement to manage conflicts of interest. Clients have a right to be adequately informed about a conflict that may affect the provision of financial services to them.

Adequate disclosure = providing enough detail in a clear, concise and non-misleading way to allow clients to make an informed decision.

Disclosure assists clients to assess the service they are being offered in light of the FSP's own interests and to decide on the extent (if any) to which they will rely on the service.

19.1. TIMELY, PROMINENT, MEANINGFUL DISCLOSURE

Disclosure should:

- Be timely, prominent, specific and meaningful;
- Occur before or when the service is provided, at a time that allows the client a reasonable time to assess its effect; and



- Refer to the specific service to which the conflict relates.

The use of 'generic' disclosures is unlikely to satisfy any conflicts management obligation. Disclosure should refer to the specific service to which it relates and should be clear enough for the client to fully understand its implication.

19.2. DISCLOSURES FOR FINANCIAL PRODUCT ADVICE

What to disclose?

- The extent to which the FSP (or any associated person) has a legal or beneficial interest in the financial products that are the subject of the advice- can be inputted in the Letter of Introduction at contact stage;
- The extent to which the FSP (or any associated person) is related to or associated with the issuer or provider of the financial products that are the subject of the advice;
- The extent to which the FSP (or any associated person) is likely to receive financial or other benefits depending on whether the advice was followed or not.

FSPs need to provide the above disclosures in the same form as the advice (e.g. written disclosures where the relevant advice is in writing)

While the conflict of interest will not necessarily cause the advice to be compromised, it should still be brought to the client's attention.

Example

An FSP in a group that is owned by a product issuer, in giving advice about a product issued by that product issuer, should disclose this relationship when giving the advice.

NB Similar disclosures to the information above are already required before financial advice is given to clients (in a letter of introduction) and when personal financial product advice is rendered (in a recommendation or in the record of advice)

19.3. WHEN DISCLOSURE BECOMES INAPPROPRIATE

There are times when disclosing a conflict may be inappropriate. Conflicts that arise may be confidential, and even amount to 'inside information' under insider trading rules. In situations like these FSPs will need to assess whether any disclosures can be given and whether the conflict can be adequately managed through other mechanisms. In such cases the conflict needs to be avoided altogether.

Example

An adviser is prevented from making an adequate disclosure because the information to be disclosed is commercially sensitive or is protected by confidentiality agreements. Such situations are difficult to manage and it may be that the adviser will need to avoid providing the advice.

Less is more when clear and concise

Excessive disclosure is likely to confuse clients and reduce disclosure effectiveness. Detailed and maze-like disclosures should not be used to obscure conflicts. The focus should be on material conflicts at all times.

Conflicts of Interest Internal Policy Document-case studies per subject area



This policy uses hypothetical case studies illustrating real or perceived conflicts across the financial services industry. We then look at how a regulator may react to the real or perceived conflicts as described.

20. CHECKLIST TO AID IN CONTROLLING AND AVOIDING CONFLICTS OF INTEREST

- How do you identify conflicts of interest?
- What are the procedures for assessing and evaluating conflicts?
- Do the arrangements you have in place enable you to decide how to respond to or deal with a conflict?
- Does the FSP have a written policy on conflicts of interest?
- When were your arrangements last reviewed?
- When were your arrangements last updated?
- How does the organization's structure support the management of conflicts?
- What information barriers exist in the FSP? How do they help in managing the flow of information?
- How do your conflicts arrangements ensure that clients are not treated unfairly?
- How do your conflicts arrangements ensure that nay advice rendered is appropriate?
- How were the conflicts policies approved in your organisation?
- How are conflicts arrangements communicated to other members of staff and the other stakeholders, including clients?
- Is there a nominated person responsible for the implementation, reviewing and updating of internal policy?
- Are there procedures in place to identify instances of non-compliance? How is non-compliance dealt with and recorded?
- What impact do remuneration and other benefits practices have on the internal management of conflicts?
- And the impact on trading or other dealing practices?
- Are there processes in place to ensure that the quality of service provided is not significantly compromised by the presence of conflicts of interest?
- What procedures are used to assess the seriousness of a conflict?
- Is there an escalation process for ensuring that serious conflicts are referred to senior management responsible?
- In what circumstances would you avoid conflicts altogether? How are these decisions made and are they recorded appropriately?

DISCLOSING CONFLICTS

- What procedures are in place for disclosing conflicts?
- How does one ensure that clients receive adequate and specific disclosures?
- How does one ensure that procedures are followed consistently and at all times?
- What disclosures do you give for financial service advice?
- How do you deal with conflicts of a confidential nature?

21. CONFLICT MITIGATION AND MARKET PRACTICE-DEVELOPING STRENGTHENED PROCEDURES AND FORMAL CONFLICTS OF INTEREST POLICIES

Set out below is a number of features of conflicts mitigation procedures and practice found during a recent study:

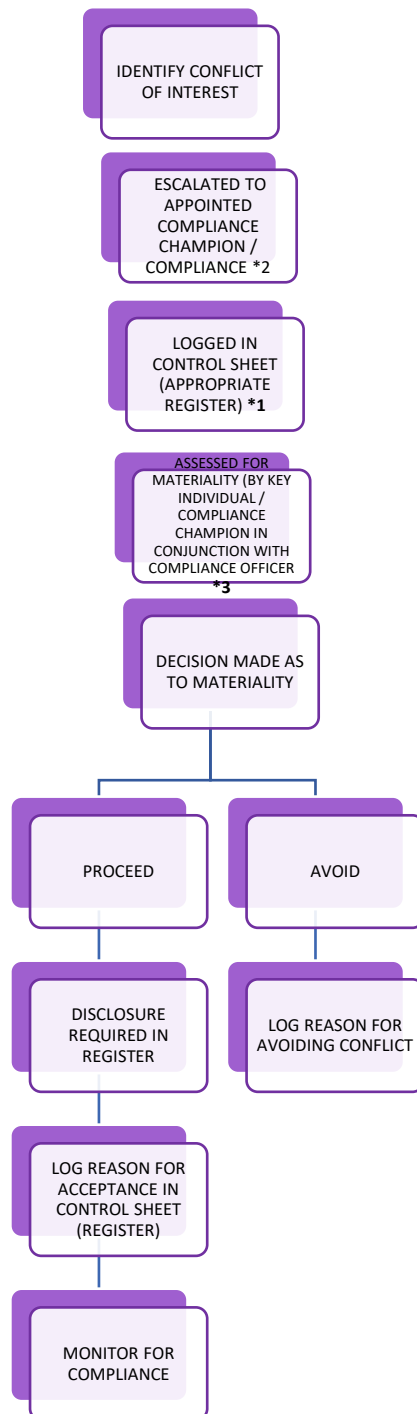


- Some conflicts policies began with an attempt to define what constituted a conflict. Businesses should consider whether a definition might be either too narrow (i.e. tied exclusively to remuneration issues) or too general (i.e. a conflict where the interests of the intermediary differ from the interests of the client.) An alternative approach was to start with a general definition of a conflict of interest followed by an analysis of how this may apply in common business situations.
- An attempt was made in some procedures to tie all documents relating to personal and corporate conflicts into one overarching framework. Other approaches had an array of different conflict-related documents that were not always consistent with one another. An alternative approach is to start with a high level conflicts framework, with subsequent consistent sub-manuals relevant to the appropriate business area.
- Whilst all employees should be aware of conflicts and should be responsible for the ownership of conflicts arising out of their own conduct, a senior manager should own the overall conflicts policy, with regular reporting on such issues.
- Smaller FSPs did not have an internal audit “IA” function. Where an IA function is not present, a strong culture of consistent internal acceptance checking of files by an individual not involved in the placement of the risk (normally compliance) is one method of ensuring that risks arising out of conflicts have not crystallised. The approach of some smaller FSPs to handling conflict identification was regular file reviews with senior staff showing a serious approach to making sure exceptions are closely monitored, followed up, and managed effectively.



22. ANNEXURE A POLICY FRAMEWORK - FSP PROCEDURES FOR HANDLING CONFLICT OF INTERESTS

22.1. CONFLICTS OF INTEREST-FSP PROCEDURES



Guide:

*1 Log the date and contents of the COI (real, existing, or potential)

*2 can be communicated via email but must be in writing to the "conflicts officer". All correspondence relating to conflict to be placed in a company conflicts file

*3 Conflicts officer to liaise with the compliance function to evaluate the conflict and to decide which mechanism to be used to manage conflict (control, avoid or disclose)

If the conflict can be resolved immediately, take the necessary action and advise compliance immediately. Continually record in the register as to the ongoing status. If the conflict requires further clarity and investigation by any party, insert comments as appropriate in the conflicts register.



22.2. PROCEDURES (AMEND AS APPROPRIATE)

1. Assign a member of staff with primary responsibility for identifying, recording and managing conflicts of interest. (To be known as the Conflicts Officer). In most circumstances this will be the person with primary responsibility for internal compliance (for example the current in house compliance champion). If an external compliance officer is appointed it may be that the FSP will appoint an internal conflicts officer who will liaise with the compliance function directly to effectively manage conflict situations.

2. The “Conflicts Officer” will advise all relevant staff of:

- The definition of ‘conflict of interest’;
- The main features; and
- Examples or possible conflicts of interest that may emerge.

3. At the same time the Conflicts Officer will co-ordinate a questionnaire (annual) of directors and relevant staff, requiring them to assess all aspects of their responsibilities and their business relationships, with a view to identifying actual or potential conflicts (and circumstances that might be perceived as conflicts). Directors, managers and internal legal and compliance officers should attempt to identify conflicts across the business, while other staff will focus on their individual circumstances.

Even when individuals completing the questionnaire are confident that objective financial advice will be provided, in spite of a potential conflict, they should report the conflict: clients and regulators may not easily be persuaded that advice was objective.

4. The “conflicts Officer” together with compliance will assess the seriousness (with compliance) of identified possible conflicts, and will determine (in consultation with senior management) how the conflict should be managed. Typically this can involve:

- If current disclosures constitutes adequate management
- What further disclosures would constitute adequate management?
- Whether or not disclosure alone can adequately manage the conflict. Where it cannot all stakeholders can decide how the conflict should be avoided, or whether the conflict should be referred for prompt board consideration.

5. The Conflicts Officer will keep adequate records of the controls management process, from identification through to effective resolution of the conflict.

6. The Compliance officer can prepare a report on the management of conflicts of interest, for the Board to consider at intervals appropriate to the business.

7. Conflicts of interest will become a standing agenda item for Board meetings.

8. Procedures can be drafted and adopted by the Board to form part of the compliance documentation, addressing the above steps and responsibilities...

9. The COI procedures and their efficacy in operation will be reviewed by senior management of the FSP in conjunction with compliance.



22.3. ROLE OF COMPLIANCE

The compliance officers of the FSP, are in a position to assist the FSP in facilitating the handling of any identified conflict relating to the FSP,. This may involve assessing and evaluating the conflict with the FSP, and decide upon, and implement, an appropriate response to the conflict.

The compliance officers of the FSP to assist with the implementation of conflict-monitoring procedures within the FSP and highlight areas of ensure that any non-compliance with the FSP's conflicts management arrangements are identified and appropriately acted on.

As part of the conflict management arrangements the compliance officers of the FSP will monitor agreed conflicts documentation as part of its wider scale monitoring programme within the FSP.

22.4. ROLE OF ALL EMPLOYEES IN FSP

All employees of the FSP are obliged to report actual, perceived or potential conflicts of interest-see procedures above to senior management. 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.

22.5. ROLE OF ALL SENIOR MANAGEMENT

Those individuals responsible for the internal oversight function have responsibilities to implement appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within their organizations.

It is the responsibility of senior management to implement arrangements, policies and procedures to manage conflicts effectively. There is no 'one size fits all' that can effectively address the full range of conflicts of interest that arise in the business of the FSP.

23. ANNEXURE A – CONFLICT OF INTEREST QUESTIONNAIRE

ATTENTION : KEY INDIVIDUALS OF KLIPS SA (PTY LTD)

Klips SA (Pty) Ltd. (“**Klips SA**”) requires each key individual of the business to annually:

- 1) Review the Klips SA’s Conflicts of interest policy (the “**Policy**”);
- 2) To disclose any possible personal, familial, or business relationship that reasonably could give rise to a conflict of interest or the appearance of a conflict of interest in the **Conflict of Interest Questionnaire (found here)**; and
- 3) To acknowledge by his or her signature that he or she is acting in accordance with the letter and spirit of such Policy on the Pledge of Personal Commitment.

Please respond to the following questions to the best of your knowledge.

1. Please list all corporations, partnerships, associations or other organizations of which you are an officer, director, trustee, partner, or employee, and describe your affiliation with such entity.
2. In terms of the FAIS Code of Conduct you must disclose to the client the existence of any personal interest in a relevant service, or of any circumstances which gives rise to annual or potential conflict of interest in relation to such service, and take all reasonable steps to ensure the fair treatment of the client:
3. Non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest. Please list any received in last 12 months (can include incentive trips, sponsorships, gifts that amount to material benefits, business services, entertainment expenses, access of preferential, differentiated service/training/advice facilities, shareholdings, sales quota obligations, product biases etc).
4. Where applicable, the fact that the provider – directly or indirectly holds more than 10% of the relevant product supplier’s shares.
5. Has any equivalent substantial financial interest in the product supplier; during the preceding 12 month period received more than 30% of the total remuneration, including commission, from the product supplier.

Has the information above been disclosed on the disclosure documentation of the FSP? YES or NO

6. Please list all corporations, partnerships, or other entities in which you and / or the FSP have a material financial interest as defined in the manual.
7. Please list any proposed business dealings between product suppliers and you/the FSP, your family members, and/or entities. Describe each such relationship listed and the actual and potential financial benefits as you can best estimate them.
8. Are you aware of any other relationships, arrangements, transactions, or matters which could create a conflict of interest or the appearance of conflict? If so, please describe.

I have read the FSP conflicts of interest policy. I am currently, and agree to remain, in compliance with the Policy.

Entered into on this the _____ day of _____ 2022.

Signature



24. ANNEXURE B DISCLOSURE OF AFFILIATIONS - DISCLOSURE OF INTERESTS AND CONTROL MEASURES

In order to ensure proper corporate governance, and the accountability and transparency of our organisation, relevant persons are required to declare any private interests that might affect the carrying out of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared on the Register of interests. These are personal or business interests that might influence their judgement, deliberation or action as employees of the financial services provider, or which might be perceived by a reasonable member of the public as doing so.

Conflicts of interest control measures

Declaration of interests

<ul style="list-style-type: none"> The disclosure of interests to be completed by the FSP (as the entity), key individuals in the financial services business and the members of the management board
<ul style="list-style-type: none"> In order to ensure proper governance, and the accountability and transparency of the FSP, relevant persons are required to declare any private interests that might affect the carrying out of their duties. The key persons will also be required to take steps to resolve any conflicts that arise in a way that protects the clients of the FSP. To fulfil these duties, any relevant interests must be declared on the Register of Interests
<ul style="list-style-type: none"> The defining purpose of this disclosure is to be able to provide information to clients about the relevant interests of the FSP and the key individuals. These are personal or business interests that might influence their judgement, deliberation or action, or which might be perceived by a 'client' as doing so.
<ul style="list-style-type: none"> Relevant parties must consider whether they need to disclose personal involvement with persons or organisations which clients might reasonably think could influence their judgement.
<ul style="list-style-type: none"> Any interest which comes to light should be declared prior to discussion at a Management Board meeting. It should take place irrespective of whether the interest has already been recorded in the register.
<ul style="list-style-type: none"> Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the compliance officer of the FSP.
<ul style="list-style-type: none"> The interest disclosure should be intended as a record available to clients on request. All material conflicts of interest should however be disclosed to affected clients. An appropriate mechanism would be to disclose such conflicts in the initial disclosure documentation of the FSP, or other suitable means.
<ul style="list-style-type: none"> It is each person's responsibility to inform the internal person responsible for conflicts of interest, including compliance, of any relevant changes as they occur and to register their interests in the register provided.
<ul style="list-style-type: none"> The disclosure will be reviewed on an annual basis by KLIPS SA as your designated compliance officers.
<ul style="list-style-type: none"> Where there is a complaint received about a failure of the FSP to disclose a relevant interest, the complaint should immediately be sent to compliance for evaluation and response.

TO BE COMPLETED ON APPOINTMENT AND ANNUALLY THEREAFTER. THE DISCLOSURE FORM COVERS ONGOING AFFILIATIONS THAT MAY PRESENT CONFLICTS, BUT KEY PERSONS SHOULD ALSO BE ALERT TO OTHER CONFLICTS OF INTEREST THAT MAY ARISE DURING THE COURSE OF THE YEAR



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FSP NAME – KLIPS SA (PTY)LTD

NAME OF INDIVIDUAL / TITLE -

1. COMPANY INTERESTS

Responsibility of all directors, advisors and staff to outline here their outside business interests, major shareholdings in other product suppliers, personal interests, family interests, directorships, consultancy, paid employment, other affiliations with other parties to a business transaction etc

2. NON-CASH INCENTIVES offered and/or other indirect consideration

Payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest. Please list any received in last 12 months (can include incentive trips, sponsorships, gifts that amount to material benefits, business services, entertainment expenses, access of preferential, differentiated service / training / advice facilities, shareholdings, sales quota obligations, product biases etc).

3. Where applicable, the fact that the provider or yourself – directly or indirectly holds more than 10% of the relevant product supplier’s shares

4. Have you or FSP any equivalent substantial financial interest in the product supplier; during the preceding 12 month period received more than 30% of the total remuneration, including commission, from the product supplier

5. Public appointments-remunerated/non remunerated

6. Memberships (external bodies & Associations)

7. Close Family links (family interests in any of the above)

8. Other interests not covered by the above

I confirm that the above declaration is complete and correct to the best of my knowledge and belief.

Signature

Date

