



FAIS CONFLICT OF INTEREST POLICY

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CONFLICT OF INTEREST IN TERMS OF THE FAIS ACT

1. PURPOSE

The General Code of Conduct for Authorised Financial Services Providers and Representatives (“GCOC”) published in terms of the Financial Advisor and Intermediary Services Act 37 of 2022 (“FAIS Act”), imposes a duty on FSPs and representatives to avoid or mitigate any situation in which conflict of interest exists or may arise and to declare any such conflict of interest.

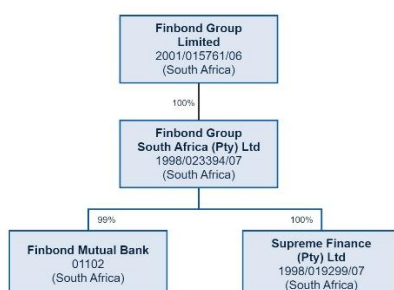
The purpose of this policy is to address conflict situations that may arise when financial services which are regulated by the FAIS Act and GCOC are provided to clients.

This is a framework within which actual or perceived conflicts of interest must be identified, reported and addressed. It also determines the appropriate steps required to manage or mitigate the risk associated with such conflicts.

Finbond Mutual Bank (“FMB”) is regulated by the South African Reserve Bank and operates under banking license number 01102. FMB is also an authorised financial services provider regulated by the Financial Services Board with FSP number 44907. FMB is further also regulated by the National Credit Regulator and operates under certificate number NCR CP6172.

Finbond Group Limited (“FGL”) is listed on the Main Board of the Johannesburg Stock Exchange and is the holding company of Finbond Group South Africa (FGSA”) which is the controlling shareholder of FMB and Supreme Finance (“SF”).

Ownership and legal structure:



2. APPLICATION

This policy applies to the following entities or individuals within FMB:

- FSPs and legal entities who is regarded as a “third party” as defined in the FAIS GCOC;
- a product supplier;
- another FSP;
- an associate of a product supplier or a provider;
- a distribution channel;

- any person who in terms of an agreement or arrangement with a person referred to above provides a financial interest to FMB or its representatives;
- any representative or juristic representative of FMB, who is appointed/mandated to provide FAIS financial services; and
- any key individual of FMB who has been approved by the FSCA to manage and oversee compliance with the requirements of the FAIS Act and subordinate legislation.

This policy only applies when financial services, which are regulated by the FAIS Act and subordinated legislation are provided to clients and will NOT apply to any financial service which is exempt from the provisions of the FAIS Act.

3. CONFLICT OF INTEREST IN TERMS OF THE FAIS ACT AND GCOC

In relation to the rendering of a financial service to a client, a conflict of interest is any situation in which FMB or its representative has an actual or potential interest that may:

- I. Influence the objective performance of FMB or its representative obligations to that client;
- II. Prevent FMB or its representative from rendering an unbiased and fair financial service to that client; or
- III. Prevent FMB or its representative from acting in the interests of that client.

Such interests include, but are not limited to:

A financial interest, which 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 an ownership interest or training that is not exclusively available to a selected group of representatives.

An ownership interest, which means:

- 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
- Any dividend, profit share or similar benefit derived from that equity or ownership interest.

Any relationship with a third party, which means any relationship with:

- A product supplier;
- Another FSP;
- An associate of a product supplier or a provider;
- A distribution channel; and
- Any person who in terms of an agreement or arrangement with a person referred above provides a financial interest to FMB or its representatives.

Please refer to the FAIS GCOC for the definitions of “associate” and “distribution channel”.

An immaterial financial interest is 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; or
- A provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

4. MEASURES OF FINANCIAL INTERESTS IN TERMS OF THE GCOC

4.1 *Where the same legal entity is a product supplier and a provider*

In the case where FMB is the product supplier and the provider, FMB may not offer any financial interest to its representatives for giving preference to—

- i. the quantity of business secured for FMB without also giving due regard to the delivery of fair outcomes for clients; or
- ii. a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- iii. a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client. For purposes of subsection (i) above, FMB must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the-
 - achievement of minimum service level standards in respect of clients;
 - delivery of fair outcomes for clients;
 - quality of the representative's compliance with this Act;

as agreed between FMB and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for FMB over the fair treatment of clients.

4.2 *Where the product supplier and provider are different entities*

If the product supplier and provider are different entities, FMB and its representatives may only receive or offer the following financial interests from or to a third party-

- i. commission and fees authorised in terms of applicable legislation, or fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered;
- ii. fees for the rendering of a service in respect of which commission or fees are not received if such fees are specifically agreed to by a client in writing and those fees may be stopped at the discretion of the client.
- iii. FMB will determine the fees payable and no representative has the authority to determine fees payable or enter into a fee agreement without authorisation;
- iv. limited immaterial financial interest; and
- v. any financial interest for a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest that is paid by FMB or representative at time of receipt thereof.

BEFORE FMB or a representative agrees to receive or offer financial interest relating to –

- fees authorised in terms of applicable law; or
- fees for the rendering of a financial service; or
- fees or remuneration for the rendering of a financial service to a third party,

FMB or its representative must first ensure compliance with:

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

5. MANAGEMENT OF CONFLICT OF INTEREST

The measures below ensure that FMB and its representatives act impartially and avoid a risk of harming any clients' interests.

FMB will not describe itself or the financial service it renders as being "independent" if any other relationship exists between FMB and any product supplier in respect of whose products FMB renders financial services that give rise to a material conflict of interest.

5.1 Internal processes

Representatives, associates and employees receive guidance and training in these procedures, and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with this conflict of interest policy.

For the internal processes related to managing conflicts in the case of remuneration and treating clients fairly please refer to the respective TCF, Remuneration and Conflict of Interest Policies.

5.2 Immaterial Financial Interest – Gifts of a R1 000 or below

FMB representatives may receive immaterial financial interest from a third party not exceeding a total of R1 000 per calendar year from the same third party.

Where the representative received an immaterial financial interest, irrespective of the value received he/she must declare same on the respective conflict of interest register.

FMB staff employed in a FAIS role, may not accept any gift from the same third party in the same calendar year which exceeds R1 000.

5.3 Confidentiality barriers

Representatives, associates and employees respect the confidentiality of client information. No such information may be disclosed to a third party without the written consent of a client.

5.4 Monitoring

The key individual in charge of supervision and monitoring of this policy must regularly provide feedback on all related matters. The policy will be reviewed annually.

5.5 Measures for the Disclosure of Conflict of Interest

In terms of the GCOC a FSP or a representative must, in writing and at the earliest reasonable opportunity -

- disclose to a client any conflict of interest in respect of that client; and
- inform a client of the FSP's conflict of interest management policy and how it may be accessed.

The above requirements are achieved by:

- Where FMB and/or representative believes a conflict of interest exist or may arise, FMB and/or representative is responsible for declaring/notifying such possible conflict of interest to the designated line manager – (see process to follow under section 5.5.9 below).
- FMB's representatives disclose conflict of interest, through their *Introduction Disclosure Notices* document used every time they engage with clients. Clients then acknowledges such conflict of interest by signing the *Introduction Disclosure Notice document*.

Subsequent to the process followed under section 5.9 below and once it has been established that a conflict of interest exists, the *Introduction Disclosure Notice* document of FMB and/or representative will have to be amended to disclose such conflict of interest when engaging with clients.

Amendments to the *Introduction Disclosure Notice* document must include –

- measures taken, in accordance with this policy, to avoid or mitigate the conflict of interest;
- any ownership or financial interest, other than an immaterial financial interest, which FMB or representative may become eligible for;
- nature of any relationship arrangement 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 relationship or agreement and the conflict of interest; and
- inform the client of this conflict of interest policy and how it may be accessed.

Where there is no other way of managing a conflict of interest, or where the measures in place do not sufficiently protect clients' interests, the conflict of interest must still be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. Where applicable, the monetary value of non-cash inducements will be disclosed to clients in all cases.

5.6 Publication

This conflict of interest policy is available for inspection at the office of the Financial Services Provider (FMB) and is also referred to in the *Introduction Disclosure Notice Document*.

FMB's Conflict of Interest Management Policy is also available on our website (www.finbondmutualbank.co.za).

5.7 Report

This conflict of interest policy will be reported on in the annual report submitted to the FSCA.

The report on FMB's conflict of interest management policy will include and report on the implementation, monitoring, compliance with and the accessibility of the conflict of interest management policy.

5.8 Declining to act

FMB will decline to act for a client if a conflict of interest cannot be avoided or be managed.

5.9 Mechanisms for the Identification of Conflict of Interest

Factors to consider when identifying whether or not an actual or potential conflict of interest exists, or may arise:

- FMB and/or its representative is likely to avoid a financial loss or make a financial gain that will negatively influence the ability of FMB/representative to provide FAIS financial services to a client impartially;
- Whether FMB and/or its representative are acting in the client's best interest and not for their own or the company's best interest;
- Whether FMB and/or its representative has an interest in the outcome of the FAIS financial service provided to the client or in a transaction carried out on behalf of the client, which is distinct from that client's interest in that outcome; and
- Whether FMB and/or its representative has a financial or other incentive to favour the interest of a third party, potential client or group of clients over the interests of an existing client.

Where FMB or its representative believes that a conflict of interest exists or may arise, the following process must be followed -

FMB/ representative must declare/notify his/her designated line manager of the possible conflict of interest by completing **Annexure A** attached hereto.



- assess if there is a FAIS conflict of interest; the value of the conflict or exposure; and the potential reputation risk;
- also advises on further action; and
- record in conflict of interest register.



Designated line manager escalates to Chief Business Officer where appropriate.
Chief Business Officer to communicate what controls to be put in place to manage the conflict,



Conflict of interest declaration to client

5.10 Training

All representatives (existing and new) and key individuals must be made aware of the Conflict of Interest Policy and the contents thereof. Representatives and key individuals must receive the necessary training on the policy and the policy must be accessible to all representatives and key individuals.

Key individuals and line managers must ensure that they read and understand this policy, the processes and procedures outlined in this policy, and any other documents the policy refers to.

5.11 Measures for the Avoidance of Conflict of Interest:

It is best for FMB, its employees, representatives and associates to avoid being in a position where there is a conflict of interest between their own/ FMB's interest and the client's interest.

Where it is possible to avoid conflict of interest, it must be immediately ended. If conflict of interest can't be avoided steps will be taken by Chief Business Officer to mitigate such potential or actual conflict.

Avoidance of conflict of interest is achieved by:

- ensuring that all employees, representatives and associates have an understanding and adopt this conflict of interest policy and control measures;
- conducting regular inspections on all commissions, remuneration, fees and financial interests proposed or received to avoid noncompliance; and
- keeping a register of conflict of interests.

Employees must declare any conflicts of interests using **Annexure A**.

6. COMPLIANCE

FMB/employee/representative may not avoid, limit or circumvent or attempt to avoid, limit or circumvent compliance with this section through an associate or an arrangement involving an associate.

FMB views any non-compliance with this policy in a serious light. If an employee takes any deliberate action to contravene this policy or to breach this policy, the employee will be subject to disciplinary action.

Any representative of FMB who takes any deliberate action to contravene this policy or to breach this policy will be debarred and may also face a disciplinary action which could result in dismissal.

Necessary actions will be taken at management discretion as and when any non-compliance is identified. All instances of non-compliance with this framework will be included in the regular compliance reporting processes.

The Compliance department will monitor procedures and controls to properly identify and manage potential conflicts of interest, as far as it relates to a conflict as defined by the FAIS Act.

7. REVIEW OF POLICY

Executive Management will formally review the policy every 12 months or as required.

8. ANNEXURE A: DECLARATION OF CONFLICT OF INTEREST

To: *Secretary/Chairman of the _____Committee/Board

Declaration of Interest

I understand that if I, my family members and close relatives and personal friends have any direct or indirect interest in any company which has business dealings with Finbond Mutual Bank or any other companies within the Finbond group of companies, I shall make a declaration to the Committee.

*I have no existing / potential conflict of interest arising from the discharge of my duties at Finbond

OR

I would like to declare the following existing/potential conflict of interest situation/s arising from the discharge of my duties at Finbond: -

(a) Persons/companies with whom/which I have official dealings and/or private interests:

(b) Brief description of my duties which involved the persons/companies mentioned above

Name: _____ Position: _____

Signature: _____ Date: _____

(*Delete as appropriate
