

FAIS Conflict of Interest Management Policy



1 Why we need this policy

This policy is aimed at –

- managing risks associated with conflicts of interest as required by the Financial Advisory and Intermediary Services Act (FAIS Act), 37 of 2002.
- ensuring that Nedbank (we, us, our) avoids conflicts of interest between product providers, service providers, representatives and/or clients as defined by the FAIS Act and strives to maintain and adopt the highest ethical standards and values in its business activities by mitigating conflicts of interest.

2 Definitions

Conflict of interest	Includes any situation in which we, including all our FSPs and its FAIS-affected employees have an actual or potential interest that may influence the relationship with a third party or client. A conflict of interest may arise where a financial interest, an ownership interest, or any relationship with a third party affects the objectivity of a FSP. For the purposes of this policy, the definition of 'conflict of interest' is broad and includes the definition set out in the FAIS General Code of Conduct for Authorised Financial Services Providers and representatives, Notice 80 of 2003.
FAIS-affected employee	Any natural person who gives advice and/or provides any intermediary services and/or oversee financial services.
Financial interest	Includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration other than: a) an ownership interest; b) training that is not exclusively available to a selected group of providers or representatives on – i. products and legal matters relating to products; ii. general financial and industry information; or iii. specialised technological systems of a third party necessary for the rendering of financial services, but excluding travel and accommodation associated with such training; and c) contribution to a black owned entity by a provider that is a measured entity.
Financial Services Provider (FSP)	A financial services provider means any person, other than a representative, who as a regular feature of the business of such person- (a) furnishes advice; or (b) furnishes advice and renders any intermediary service; or (c) renders an intermediary service
Immaterial financial interest	Any financial interest received from a third party of a readily determinable monetary value that, when combined or aggregated, is not higher than R1000 per calendar year from that third party.
Measured entity	An entity as well as an organ of state or public entity, subject to measurement under the Broad-based Black Economic Empowerment (BBBEE) Act, 53 of 2003, and related codes.
Nedbank	Nedbank Limited and includes any South African Nedbank Group company that performs activities governed by the FAIS Act, under a FAIS licence

	issued to any such company, directors and officers of such company, and any other person that has the power to influence the strategy of such company, whether or not such person is a key individual or representative, and whether acting individually or with others.
Ownership interest	Any equity, or proprietary interest of the FSP or Nedbank for which fair value was paid by the owner, other than equity or a proprietary interest held by a FSP, registered to make investments and deposits of assets on behalf of other persons at the time that it was bought, and includes any dividend, profit share or similar benefit derived from that equity or ownership interest.
Sign-on bonus	Any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, including– a) an incentive to recruit or to become a FAIS representative or provider; or b) compensation for the – • potential or actual loss of any benefit including any form of income, or part thereof, resulting from any act the result of which is that a person is recruited to or become a representative or provider; or • cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or c) in the form of a loan, advance or credit facility; and • where the utilisation or servicing of that loan, advance or credit facility is linked to the performance of any activity or the meeting of any target or standard relating to the rendering of financial services; or • the repayment of the loan or advance is in any manner linked to the termination of any act the result of which was that a person was recruited to or became a representative.
Third party	Includes a product supplier, another financial services provider, an associate (see definition in the FAIS General Code of Conduct) of a product supplier or a provider, a distribution channel, or any person who provides a financial interest to us or our representatives.

Any term used in this policy and which is not specifically defined, must be interpreted in line with the Financial Advisory and Intermediary Services Act, 37 of 2002, including subordinate legislation issued in terms of this Act (i.e. regulations, board notices, codes, etc).

3 To whom does this policy apply

This policy applies to FAIS-affected employees and should be read together with the Code of Ethics and Conduct.

4 Key principles

In terms of general principles, we must:

- guide and train all representatives, associates and employees on conflict-of-interest procedures as they are subject to annual monitoring and review;
- conduct regular inspections on all commissions, remuneration, fees and financial interests proposed or received to avoid non-compliance;

- keep a register of conflicts of interest; and
- inform clients of this policy and where it can be accessed.

5 Disclosure requirements

If we cannot avoid a conflict of interest, we must mitigate and disclose it.

We must disclose to a client in writing and as soon as possible all conflicts of interest that could affect that client. The disclosure must set out:

- the facts and circumstances giving rise to the conflict of interest;
- measures taken to avoid or mitigate the conflict of interest;
- any ownership interest or financial interest that we could become eligible for;
- the nature of our relationship or arrangement with a third party that gives rise to a conflict of interest, so that the client understands the exact nature of the conflict of interest; and
- the existence of this policy and our Code of Ethics and Conduct.

6 When financial interests are allowed

If the product supplier and the FSP are different entities, we may receive or offer the following financial interests only:

- Commission and fees for the provision of financial services authorised under the Long-term Insurance Act, 52 of 1998; Short-term Insurance Act, 53 of 1998; and Medical Schemes Act, 131 of 1995, where applicable.
- Fees that are not covered by the provider under the Acts mentioned above, if the client has agreed to them in writing. The fee agreement must show the amount, frequency, payment method and details of the services provided, with the fee charged being commensurate with the services provided. The client may ask us to stop these fees at any time and we must do so.
- Fees or remuneration for the rendering of a service to a third party that are or is commensurate with the service being rendered, considering the skills and competencies required. FAIS-affected employees are still bound by the FAIS Act to give appropriate advice.
- An immaterial financial interest.
- A financial interest that is not referred to above for which a commensurate consideration, fair value or remuneration is paid by the same FSP on behalf of which the representatives and key individuals provide financial services.

All fees, commission, and remuneration that we receive or pay must be recorded and audited in line with the prescribed procedure.

If the financial interests are paid to representatives in the same entity, the determination of the financial interests must consider the following:

- Minimum service-level standards
- Fair outcomes for clients
- Quality of representatives' compliance with the FAIS Act

All financial interests received from FSPs outside of Nedbank, or from independent FSPs within Nedbank, must be declared on the Employee Portal, irrespective of the value. The paying of travel and accommodation costs on behalf of employees by third parties is strictly not allowed unless it is for a specific and justifiable business reason and has been approved by the appropriate division or cluster executive committee.

FSPs and representatives may offer or receive a financial interest in relation to training for regulatory examinations if the training is not:

- exclusive to a select group of FSPs or representatives;
- subject to giving preference to the quantity of business secured for the FSP to the exclusion of the quality of service rendered to clients;
- subject to giving preference to a specific product supplier, where an FSP or representative may recommend more than one product supplier to a client; or
- subject to giving preference to a specific product of a product supplier, where an FSP or representative may recommend more than one product of the product supplier to a client.

7 When financial interests are not allowed

We may not offer financial interests to our FAIS-affected employees or associates for giving preference to:

- the quantity of business secured without due regard to the delivery of fair outcomes for clients;
- a product supplier where a FAIS-affected employee may recommend more than one product supplier to a client; or
- a specific product of a product supplier where a FAIS-affected employee may recommend more than one product of that supplier to a client.

We may not receive financial interests or pay our representatives in the following circumstances:

- If remunerated more than once for providing the financial service.
- Actual or perceived conflicts of interest between the client and the representative have not been mitigated.
- The payment hinders the delivery of fair outcomes.

8 Who does what

8.1 Group Compliance

Group Compliance is the policy owner and is responsible for:

- reviewing and maintaining this policy; and
- reviewing and approving cluster and divisional level 3 policies pertaining to conflict of interests under FAIS.

8.2 Cluster / Business unit Compliance

Cluster/business unit compliance is responsible for:

- monitoring the adequacy and effectiveness of controls that business has implemented to ensure compliance with this policy and any level 3 policies that a cluster, division or business unit has established;
- ensuring that FAIS-affected employees and third parties are trained on level 3 policies pertaining to conflict of interests under FAIS;
- creating awareness of this policy;
- monitoring declarations submitted on the Employee Portal monthly and reporting the outcome at the enterprise risk committee meetings;
- reporting any non-compliance with the policy to the various applicable governance structures or a key individual within Nedbank; and
- making recommendations for the improvement of processes, procedures and controls for the efficient management of business in compliance with this policy and the FAIS Act.

8.3 Business

Business is responsible for:

- establishing and implementing processes, procedures, and controls to ensure compliance with this policy and/or any level 3 policies as determined within a cluster, division or business unit;
- ensuring FAIS-affected employees and third parties are trained on level 3 policies;
- creating awareness of this policy; and
- monitoring the effectiveness of processes, procedures and controls to ensure compliance with this policy and any level 3 policies as implemented by the cluster, division or business unit.

8.4 Key individuals

Key individuals are responsible for:

- monitoring client engagements performed by representatives and those persons under supervision to ensure compliance with this policy;
- avoiding potential and actual conflicts of interest;
- reporting instances of non-compliance to management and compliance officers of the cluster immediately;
- creating awareness of this policy; and
- attending relevant training and ensure their representatives attend the same.

8.5 FAIS-affected employees

FAIS-affected employees are responsible for:

- reading, understanding, and acknowledging this policy
- identifying potential and actual conflicts of interest;

- avoiding engaging in any conduct that may potentially or bring about a conflict of interest; and
- reporting such conflicts of interest, whether directly involved or not, to a key individual.

9 When sign-on bonuses are not allowed

We may not offer sign-on bonuses, either as part of our recruitment strategies or as an incentive for an entity to become its representative or third-party supplier. Section 3A of the FAIS Code prohibits the offering of a sign-on bonus to any person other than to a new entrant (a person who has never been authorised as an FSP or appointed as a representative by an FSP).

10 What happens when this policy is breached.

Non-compliance with this policy and its procedures may be considered as misconduct and employees may face disciplinary action that could lead to dismissal and/or criminal prosecution.

11 Links to other group policies

This document supports and enhances other related policies but does not amend or replace any existing policy. Policies that apply only to a cluster or division must be communicated to Group Compliance for review and may never be less stringent than this policy.

A cluster or divisional executive committee may determine specific conflicts-of-interest provisions that will apply to that cluster or division in addition to this policy.

If our Code of Ethics and Conduct contains provisions that are more extensive or stringent regarding conflicts of interest compared to this policy, the Code of Ethics and Conduct shall take precedence.

The following documents are closely aligned with and must be read together with this policy:

- Nedbank Code of Ethics and Conduct.
- Privacy Policy.
- Market Conduct Policy.
- Conflicts of Interest, Confidential Information and Information Barrier Policy.
- Gifts, Entertainment and Hospitality Policy.
- Conflict of Interest and Outside Interest Policy.
- Compliance Policy

12. When this policy comes into effect

This policy first came into effect on 19 April 2010.

13. Document control

Date	Description	Reference
18 February 2015	Annual review – minor changes. Continues to remain fit for purpose.	GRCMC
19 February 2015	Notified of ERMF refresh in progress (2015).	Main board
February 2016	Policy remains fit for purpose.	Driekie Havenga
26 February 2016	Annual policy review.	Main board
1 February 2017	Review of Annexure 6 – FAIS Conflict of Interest.	Darren Beyers
24 January 2017	Approval of amended annexure.	FAIS Governance Forum
31 January 2018	Approval of amended annexure.	Regulatory Risk and Compliance Forum
12 February 2019	Policy remains fit for purpose.	FAIS Governance Forum

Date	Description	Reference
24 June 2019	Minor adjustments to update the name of the policy owner, reflect a cluster name change, and update the policy to level 1 policy following the completion of Managed Separation.	Market Conduct Compliance Office
12 February 2020	Approval of amended annexure.	Regulatory Risk and Compliance Forum
1 September 2020	Alignment with revised conflict of interest provisions in the amended the Code for FSPs.	Market Conduct Compliance forum
30 August 2022	<ul style="list-style-type: none"> • Minor amendments to update the policy from level 1 to level 2. • Exclude the application of the policy on non-South African subsidiaries. • Annual Policy Review. 	Market Conduct Compliance Forum
August 2023	<ul style="list-style-type: none"> • Minor amendments added in terms of accountabilities and alignment with the Nedbank Code of Ethics and Conduct Policy. • Updating of definitions. • Inclusion or expansion of disclosure requirements of responsibilities of key individuals and FAIS-affected employees. • Inclusion of list of linked policies. 	Market Conduct Compliance Forum
April 2024	<ul style="list-style-type: none"> • Amendment to the name of the policy to include the word 'management'. • Included the definition of financial Services Provider. • Included Compliance Policy to be read together with this policy. • Other minor changes, such as numbering and replacing Nedbank with us, we, our where relevant 	Regulatory Risk and Compliance Forum

A full list of our associates, including the names of any third parties in which we hold an ownership interest, and a full list of the names of any third parties that hold an ownership interest in us, are available at [www.nedbank.co.za](http://intranets.nednet.co.za/sites/egc/MarketConduct/Conflict%20of%20Interest%20Policy/Forms/AllItems.aspx).
<http://intranets.nednet.co.za/sites/egc/MarketConduct/Conflict%20of%20Interest%20Policy/Forms/AllItems.aspx>.