

# Stratum Benefits<sup>+</sup>




## CONFLICT OF INTEREST MANAGEMENT POLICY 2020 / 2021



Stratum Benefits (Pty) Ltd, an authorised FSP 2111, is underwritten by Constantia Insurance Company Limited, an authorised FSP 31111.

Stratum Benefits<sup>+</sup>

 010 593 0981

 086 633 3761

 [info@stratumbenefits.co.za](mailto:info@stratumbenefits.co.za)

 [www.stratumbenefits.co.za](http://www.stratumbenefits.co.za)

## CONFLICT OF INTEREST MANAGEMENT POLICY

- In terms of Section 3A(2)(a) of the General Code of Conduct 'every provider', other than a representative, must adopt, maintain and implement a Conflict of Interest Management Policy that complies with the provisions of the Act
- A nominated Key Individual must complete and sign all the pages of the annexure sections of the policy
- All Key Individuals and persons associated with the governing body of the FSP, must confirm they adopt this policy, by signing the document below
- All Employees must read and confirm that they understand the contents of the policy, by signing the personal acknowledgement page
- After implementing the policy, retain a hard copy of this document as part of your compliance file
- The policy must be accessible for public inspection purposes
- Refer back to the policy whenever an actual or potential conflict of interest manifests itself
- The policy must be read and understood in conjunction with the General Code of Conduct
- This policy must be reviewed annually

## DEFINITIONS

**CONFLICT OF INTEREST** means any situation in which a provider has an actual or potential interest that may:

- a) Influence the objective performance of his/her obligations to that client
- b) Prevent a provider from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client.

Including but not limited to

- i) A financial interest;
- ii) An ownership interest;
- iii) 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

- 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 those products;
  - ii) General financial and industry information
  - iii) Specialised technological systems of a third party necessary for the rendering of a financial service; but not excluding travel and accommodation associated with that training.

### IMMATERIAL FINANCIAL INTEREST

Any financial interest with a monetary value received in any calendar year, by a provider or its associates or representative(s) from a third party or an associate of a third party and financial interest for which the Broker pays a fair value. The focus is on the immateriality of the financial interest that is given but, is subject to an overall maximum amount of R1000.00.

### OWNERSHIP INTEREST

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



## THIRD PARTY

- 1) A product supplier.
- 2) Another provider.
- 3) An associate of a product supplier or a provider.
- 4) A distribution channel.
- 5) Any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above, provides a financial interest to a provider or its representatives.

## ASSOCIATE

### IN RELATION TO A NATURAL PERSON

- a) A person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner.
- b) A child of that person, including a stepchild, adopted child and a child born out of wedlock.
- c) A parent or step-parent of that person.
- d) A person who is recognised in law or appointed by a court as the person legally responsible for managing the affairs of or meeting the daily care needs of the natural person.
- e) The spouse, life partner or civil union partner of a person referred to in (b), (c) and (d).
- f) Anyone in commercial partnership with that person.

### IN RELATION TO A JURISTIC PERSON

- a) Which is a company, means any subsidiary or holding company of that company, or any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.
- b) Which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act;
- c) Which is not a company or a closed corporation, means another juristic person who would have been a subsidiary or holding company of the first-mentioned juristic person
  - Had such first-mentioned juristic person been a company
  - In the case where that other person, too is not a company, had both the first-mentioned juristic person and that other juristic been a company.
- d) 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.

### IN RELATION TO ANY PERSON

- a) Means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of directors or in the case where such juristic person is not a company, of which governing body is accustomed to act in accordance with the directors or instructions of the person first-mentioned in this paragraph.
- b) Includes any trust controlled or administered by that person.

## DISTRIBUTION CHANNEL

- a) Any arrangements 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.
- b) Any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product suppliers.
- c) Any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider and a product supplier.

In terms of the General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider and a client or the representative and a client.

In order to adhere to this requirement, the FSP must ensure that adequate arrangements are in place for the management of conflicts of interest that may arise wholly or partially, in relation to the provision of any financial services to clients by the FSP, or any representative of the FSP, as part of the financial services business of the FSP.

## STRATUM BENEFITS CONFLICT OF INTEREST POLICY CONTAINS THE FOLLOWING PROVISIONS

- Mechanisms for the identification of conflicts of interest
- Measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reason therefore and the measures for the mitigation of such conflicts of interest
- Measures for the disclosure of conflicts of interest
- The processes, procedures and internal controls to facilitate compliance with the policy
- Consequence of non-compliance with the policy by the provider's employees and representatives
- The basis on which a representative will qualify for a financial interest
- A list of all the FSP's associates, not applicable to Stratum Benefits
- A list of all parties in which the FSP holds an ownership interest not applicable to Stratum Benefits
- A list of all third parties that holds an ownership interest in the FSP interest not applicable to Stratum Benefits



## CONFLICT OF INTEREST POLICY

### EXECUTIVE SUMMARY AND PURPOSE

The aim of Stratum Benefits Conflict of Interest Policy ('The Policy') is to provide a framework within which to address areas where conflicts of interest ('COI') may arise. As an Intermediary Service Provider ('Provider'), we have the responsibility in terms of the Financial Advisory and Intermediaries Services Act, No 37 of 2002 ('FAIS'), to ensure that we improve the quality of the financial services that are rendered to clients and that no situation is allowed where a provider or a representative has an actual or potential interest, which will influence the objective performance when giving financial service to a client.

A provider must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry.

Important legislation with regard to COI's is Board Notice 58 of 2010 and Section 3A of the General Code of Good Conduct.

The Policy defines how COI is to be managed by Stratum Benefits

- to identify potential COI,
- to avoid COI where possible and to disclose potential COIs.

Immaterial Financial interests are not disclosed but captured and monitored in a gift register.

Stratum Benefits acts with the utmost good faith and exercises proper care and diligence with regards to the funds of clients and institutions and guarantees that it will ensure a consistent and honest manner of dealing with COI and the disclosure thereof.

This policy applies to all employees, third parties where applicable, its associates.

The policy is reviewed annually and is retained for at least 5 (five) years. The policy applies to the Board of Directors and all employees of the company (permanent, contract or temporary).

This document will be made available to all of Stratum Benefits clients via

- any office or branch of Stratum Benefits
- post
- fax
- e-mail
- Stratum Benefits' website



## IDENTIFYING COI'S

Stratum Benefits and its employees may only receive or offer the following financial interest from or to a third party.

### THE FINANCIAL INTEREST INCLUDES BUT IS NOT LIMITED TO

- a) Commission authorised in terms of the Short-Term Insurance Act No. 53 of 1998. ('STIA')
- b) Fees authorised in terms of the STIA if those fees are reasonably commensurate to a service being rendered.
- c) Fees or remuneration for the rendering of a financial service in respect are not paid, if those fees
  - Are not specifically agreed to by a client in writing; and
  - May be stopped at the discretion of the client.
- d) Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered.
- e) Subject to other law, an immaterial financial interest, not referred to in paragraphs (a) above, for which consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by the provider or its representatives at the time of receipt thereof.
- f) Sales tools or services (electronic or otherwise) that Stratum Benefits wishes to provide on condition that the tools and services provided are essential in enabling the representative to prepare, submit and finalise any business transaction in accordance with Stratum Benefits business requirements. These sales tools are not essential, but offer value to the representatives in terms of enhancing / supplementing the representative's interactions with clients; and are regarded as other services.
- g) Services that are essential in enabling the representative to prepare, submit and / or finalise Stratum Benefits transaction documentation, may be offered unless it would influence the representative in the objective performance of their functions or prevent the representative from rendering an unbiased service.
- h) Services that are not essential in enabling the representative to do business with Stratum Benefits, but which offer the representative value in terms of enhancing or supplementing the representative's interaction with clients may be provided if there is clear proof that the client benefited and does not create a COI.
- i) Services that do not form part of those described above may be made available to a representative at a fair market value.
- j) Stratum Benefits shall not offer any financial interest to its representatives for:
  - Giving preference to the quantity of business secured to the exclusion of the quality of the service rendered to clients; or
  - Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client.

The Compliance Officer will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk. Compliance and Management will then agree on the controls that are in place, to manage the conflict.



## DECLARATION BY STRATUM BENEFITS

Stratum Benefits does not receive more than 30% of our total remuneration from one specific product supplier, over a financial year.

Stratum Benefits does not hold more than 10% of any other product supplier's shares.

### AVOIDING COI

Once an actual or potential COI has been identified, steps are taken where possible to avoid such a conflict. Should such avoidance not be possible, steps are taken to mitigate such an actual or potential COI and must be disclosed to all impacted parties.

The Compliance Associate will analyse each identified COI and determine its risk and how it may be avoided or mitigated. This will be performed on a bi-annual basis and form part of the Compliance Monitoring visits and reports conducted and complied by the Compliance Department.

### DISCLOSURES OF COI

Stratum Benefits and its representatives must at the earliest reasonable opportunity disclose to a client any COI in respect of that client (and all impacted parties).

The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to

- The measures taken, in accordance with this policy, to avoid or mitigate the conflict;
- Any ownership interest or financial interest, other than an immaterial financial interest, that Stratum Benefits or its employees may become eligible for;
- The nature of any relationship or arrangement with a third party that gives rise to a COI
- Sufficient detail in terms of the nature and extent of the relationship that creates or gives rise to the conflict must be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction; and
- Informing the client of the existence of this policy and how this document may be accessed. These disclosures must be made annually



## PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE

The Compliance Associate ('CA') of Stratum Benefits is responsible for managing and updating this policy annually and will provide guidance to management thereof.

The onus lies on the individuals subject to this policy to avoid the creation of COI's however if this is unavoidable, to take steps to mitigate such a COI and to ensure proper disclosure thereof.

All employees of Stratum Benefits are responsible for identifying specific instances of COI and are required to notify Stratum Benefits CA of a COI as soon they become aware of it. The CA will record the COI in the COI register immediately and escalate the COI to the Compliance Officer with a recommendation as to how the COI should be avoided or managed.

Documented guidelines to management on the provision of 'immaterial financial interest' are set out in annexure C.

Documentation and processes which have been formulated to identify, avoid, mitigate and disclose COI can be seen in Annexure D.

A COI register has been drafted and the CA is responsible for recording COIs.

Each Representative will annually submit a COI Declaration form to the Compliance Department as per Annexure D.

All employment contracts include termination and / or sanctions clauses to manage the risk of an actual or potential COI situations created by employee acts or omissions.

Disciplinary procedures in Stratum Benefits provide for the review of any breach by employees and determine appropriate sanctions.

If employees are of the view that their own conduct has breached this policy, they must inform their manager at the earliest opportunity and thereafter, management must report this breach to the CA for further investigation.

When employees reasonably suspect a co-worker or third party is in breach of this policy, this must also be reported at the earliest opportunity and must be treated with the strictest confidence, thereafter management must report this breach to the CA for further investigation.

### TRAINING AND AWARENESS

All Stratum Benefits employees and contracted brokers will receive training regarding this policy annually. This policy must be included in any training and training materials provided to representatives.

Stratum Benefits will only provide training to representatives on

- Products or legal matters relating to those products
- General financial and industry information
- Specialised technological systems of a third party necessary for the rendering of a financial service. This would include Stratum Benefits sales and administrative processes aimed at enabling other providers to do business with Stratum Benefits

## CONSEQUENCES OF NON-COMPLIANCE

The penalty for non-compliance of specific provisions of the FAIS act, is an amount of up to R10 million and / or a period of up to 10 (ten) years imprisonment.

The FAIS registrar may also revoke the FSP license or refer instances of non-compliance to an Enforcement Committee who may impose administrative penalties on offenders.

Stratum Benefits will impose disciplinary action on its offending employees. Civil or criminal prosecution may result.

## ANNEXURE 'C'

Guidelines to management on the provision of Immaterial Financial Interest Legislative requirements.

In terms of the General Code of Conduct (issued in terms of FAIS), the following requirements are set for managing conflicts of interests that may be created between an FSP and their client:

Principle based requirement - The following principle applies:

A provider or a representative must avoid and where possible mitigate any conflict of interest between the provider and a client or the representative and a client.

Rule based requirement - An FSP is not allowed to offer Brokers (and they are not allowed to receive) any financial interest other than

- Statutory commission and fees
- Fees applicable to the investment industry as agreed to by the client
- Fees for rendering a service to a third party (this provides for outsourcing arrangements e.g. back office services rendered in the collective investments environment).

### GENERAL INTENTION OF THE REGULATIONS

The general intention of the regulations is to eradicate the opulence that business courtesies have been known to create. Normal business courtesies are still acceptable provided they fall within the limitations set out below.

### APPLICATION OF IMMATERIAL FINANCIAL INTEREST

In terms of the definition of 'immaterial financial interest', the amount of R1 000 would apply to a "provider who is a sole proprietor", (i.e. a Key Individual who is also a representative), a representative of an FSP who stands to benefit, and an FSP who may benefit or all or some of its representatives.

It would follow that the limitation of the R1 000 amount is aimed at providers (FSPs) and their representatives. As the FSP may also be a legal entity, it would follow that such reference would include the Key Individuals (in their capacity as representatives) linked to such providers.

The requirements in Board Notice 58 of 2010 apply to all relationships between the FSP and other FSPs, product suppliers and representatives, in respect of services rendered in South Africa, but regardless of whether they are domiciled in South Africa or internationally.

### EXAMPLES

- Extending Invitations to brokers outside of South African borders
- Golf days



**ANNEXURE D**

**REPRESENTATIVE AND KEY INDIVIDUAL DECLARATION OF CONFLICT OF INTEREST**

I, (employee name) of Stratum Benefits understand that if I, my family and / or close relatives have any direct or indirect interest in any company which has business dealings with suppliers and / or insurers, I shall make a declaration to Stratum Benefits Compliance Associate and to my clients.

I hereby declare the following material existing / potential Conflicts of Interest (means any financial interest which exceeds the value of R1 000 (one thousand rand) in 1 (one) calendar year) arising from the discharge of my duties and concerning the Insurer, will be disclosed to the Compliance Associate.

It is my obligation to avoid situations that may result in a Conflict of Interest, but where this is unavoidable or impractical, I guarantee that all Conflicts of Interest will be declared. Immaterial Financial risks are not disclosed here, but captured in the Company's Conflicts of Interest Register.

The abovementioned declarations will be made as and when they arise to clients and to the Compliance Associate, which are then reviewed annually.

Clients are encouraged to view our Conflict of Interest Policy which can be found on our website under the heading Compliance documentation or they may request a copy from our Compliance Associate at [buhlebuzile.nhlapo@stratumbenefits.co.za](mailto:buhlebuzile.nhlapo@stratumbenefits.co.za).

**PERSONS/COMPANIES WITH WHOM/WHICH I HAVE PRIVATE FINANCIAL OR OWNERSHIP INTERESTS**

I hereby declare the following material existing / potential conflicts of interest (means any financial interest which exceeds the value of R1 000 (one thousand rand) in 1 (one) calendar year) arising from the discharge of my duties and concerning the Insurer, will be disclosed to the Compliance Associate.

These are the financial interests exceeding R1 000 in a (calendar) year that I received (including invitation to Golf days, cultural events and personal gifts)

Company Name

Any other Conflicts of Interest I feel I should disclose

Representative of Stratum Benefits

Signature

Date