

# CONFLICT OF INTEREST MANAGEMENT POLICY

GRINDROD BANK LIMITED (“BANK”)

NOVEMBER 2019

# CONTENTS

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1	INTRODUCTION
2	TREATING CUSTOMERS FAIRLY
3	GENERAL CODE OF CONDUCT
4	GENERAL: CONFLICT OF INTERESTS
5	IDENTIFICATION OF CONFLICTS OF INTERESTS
6	MANAGEMENT OF CONFLICTS
7	MITIGATION CONTROLS
8	OWNERSHIP INTERESTS AND ARRANGEMENTS WITH THIRD PARTIES & ASSOCIATES
9	NON-COMPLIANCE
10	ANNEXURE A
11	ANNEXURE B
12	ANNEXURE C

# 1 INTRODUCTION

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The Financial Advisory and Intermediary Services Act ('FAIS') together with subordinate legislation imposes a duty on certain entities and individuals to avoid or mitigate any situation in which a conflict of interest exists or may arise and to declare such conflict of interest. Legislation requires the Conflict of Interest Management Policy to be published.

The Bank is authorised to provide a range of financial services, including asset management, financial intermediary and advice services. In compliance with our statutory obligations this document describes the Conflict of Interest Management Policy maintained by the Bank in respect of regulated activities carried out.

The Bank is committed to maintaining the highest professional standards and principles in providing services to its clients. The interests of clients must always come first and the Bank's policies and procedures, which address and manage conflicts of interest as they may arise, are intended to ensure that those interests are well served.

To this end, the Bank has procedures in place to identify, consider and manage actual and potential conflicts of interest and protect the integrity of its relationships with its service providers, intermediaries and retail and institutional clients. All of the Bank's employees must comply with the policies and procedures and they may not indirectly commission any act that they are prohibited from doing under these policies and procedures.

For the purposes of ascertaining whether there is a conflict of interest<sup>1</sup>, references to the Bank's employees include references to other persons linked to the Bank and its clients, key individuals and appointed representatives of the Bank.

## 2 TREATING CUSTOMERS FAIRLY

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In addition to the Bank being committed to avoiding conflicts of interest, the Bank is also committed to Treating Customers Fairly ('TCF'). TCF is an outcome based regulatory and supervisory approach designed to ensure that specific fairness outcomes for consumers of financial services are delivered by financial institutions.

Through the application of this policy, the Bank demonstrates that consumers are treated fairly by eliminating or mitigating/managing conflicts of interests (Outcome 1). Disclosure of such information demonstrates that consumers

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<sup>1</sup> "Conflict of interest" means any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to a client:-

- (a) influence the objective performance of his, her or its obligations to that client; or
- (b) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client,

including but not limited to-

- (i) a financial interest
- (ii) an ownership interest
- (iii) any relationship with a third party

are kept appropriately informed during the financial service relationship (Outcome 3).

### 3 GENERAL CODE OF CONDUCT

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3.1. The General Code of Conduct for Authorised Financial Services Providers (Board Notice 58 of 2010), as amended from time to time, determines that:

- “(b) 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;
- (c) a provider or a representative must, in writing, at the earliest reasonable opportunity -
- (i) disclose to a client any conflict of interest in respect of that client, including -
    - (aa) the measures taken, in accordance with the conflict of interest management policy of the provider referred to in section 3A(2), to avoid or mitigate the conflict;
    - (bb) any ownership interest or financial interest, other than an immaterial financial interest, that the provider or representative may be or become eligible for;
    - (cc) the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest; and
  - (ii) inform a client of the conflict of interest management policy referred to in section 3A(2) and how it may be accessed”.

3.2. The Code of Conduct further determines that the Bank or its representatives may only receive or offer the following financial interest from or to a third party<sup>2</sup>:

- commission and/or fees in terms of the Long-Term Insurance Act, 1998 (Act no. 52 of 1998);
- fees for the rendering of a financial service (if not paid in terms of commission/fees as stated above) if the fees:
  - have been agreed to by the client in writing; and
  - may be stopped at the discretion of the client;
- fees or remuneration must be reasonably appropriate to the service being rendered;
- a financial interest that is defined as an ‘immaterial financial interest’<sup>3</sup>, and
- a financial interest not referred to above, for which a consideration, fair value or remuneration that is reasonable commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

3.3. The Code of Conduct prohibits the Bank from offering any financial interest to any of its representatives for:

- giving preference to the quantity of business secured to the exclusion of the quality of the service; or

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<sup>2</sup> Where the Bank is both the Provider and the Product Supplier, this section does not apply.

<sup>3</sup> “**immaterial financial interest**” means 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) .... a representative for that representative’s direct benefit;
- (b) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives”.
- (c)

- giving preference to a specific product supplier where a representative may recommend more than one product supplier to a client; or
- giving preference to a specific product of a product supplier where a representative may recommend more than one product of that product supplier to a client.

### 3.4. Immaterial Financial Interest

A 'financial interest' has a very wide definition and means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration.

Key Individuals and Representatives of FSP's are not allowed to spend on or receive from other Key Individuals or Representatives a financial interest that cumulatively exceeds R1000 in any calendar year ('immaterial financial interest'). Examples of this are meals, golf days, gifts, tickets for sporting events and hunting trips.

While you may spend R 1000 per Representative of an FSP, you may not aggregate the amount and spend more on a few of the Representatives and none on others. Similarly, Representative and Key Individuals of the Bank may not receive more than R1000 worth 'financial interest' from another FSP or product supplier in any calendar year.

### 3.5. Training/Information Sessions

Any bona fide training on products, industry information and general financial information is however permitted and therefore does not fall into the above category, subject to certain requirements indicated below:

- Training cannot be exclusive to a selected group of people; and
- Payment for accommodation and travelling associated with the training is not permitted.

Each business area must record adequate information in order to establish whether there has been compliance with this policy. For e.g., invitation lists, RSVP lists, the presentation and attendance list should be kept by the business unit.

### 3.6. Sign-on bonus<sup>4</sup>

The Bank may not offer sign-on bonuses as part of its recruitment strategies or as an incentive to become its representative or provider in terms of the FAIS Act. The Code of Conduct prohibits offering a sign-on bonus to any person other than to a new entrant (a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider).

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<sup>4</sup> "Sign-on bonus" means –

- (a) any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider, and
- (b) a financial interest referred to in paragraph (a) includes but is not limited to –
  - (i) compensation for the –
    - (aa) potential or actual loss of any benefit including any form of income, or part thereof, or
    - (bb) cost associated with the provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or
  - (ii) a loan, advance, credit facility or any other similar arrangement

## 4 GENERAL: CONFLICT OF INTERESTS

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A potential conflict of interest arises where the financial service provided could be affected by a personal interest or personal association. Employees (especially portfolio managers, analysts and dealers) should avoid situations that might cause, or be perceived by third parties to cause, a loss of independence or objectivity. Independence and objectivity must be maintained so that clients have the benefit of financial services provided and opinions unaffected by any potential conflict of interest. The interests of the client should always come first, and conflicts of interest should be avoided at all costs.

This policy governs the manner in which interactions between the Bank and its clients, independent contractors, intermediaries, suppliers, agents and service providers occur and the manner in which favours, incentives and gifts may be given and/or received. The objective is to prevent any attempt to exert influence in unduly favouring any party or being favoured by any party and to ensure that the Bank's independence in investment decisions is not jeopardised by its business relationships.

Furthermore, the Prevention and Combating of Corrupt Activities Act, 2004 ("the Act") prohibits the acceptance or giving, or any offer or agreement to receive gifts in specified circumstances and to specified persons. Offences committed under the Act are regarded as very serious and penalties include imprisonment, significant fines and disqualification from participation in government tenders and contracts. The onus is on persons subject to this policy to ensure their own compliance with the Act.

## 5 IDENTIFICATION OF CONFLICTS OF INTERESTS

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The Bank seeks to ensure it is able to appropriately and effectively identify and manage potential conflicts. It may manage potential conflicts through avoidance or acting with an appropriate level of independence and/or by providing appropriate disclosure of the conflict to affected clients.

In determining whether there is or may be a conflict of interest to which the Policy applies, the Bank considers whether there is a material risk of damage to the client, taking into account whether the Bank or a Bank employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an undisclosed interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has an undisclosed financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client; or
- receives or will receive from a person other than the client, an undisclosed inducement in relation to a service provided to the client in the form of monies, goods or services, other than the standard commission or fee for that service.

It should be noted that it is not possible to enumerate all situations which could constitute a conflict and each situation needs to be addressed to ascertain whether on the facts, it would fall within a potential or actual conflict. Factors which would need to be considered include the amount of business involved, the extent to which the representative (or persons linked to them) could influence decisions with respect to the transaction, and whether the interest is of such a nature that it might affect the objectivity or the business judgment of the representative.

To adequately manage conflicts of interest, the Bank must identify all relevant conflicts timeously. Different mechanisms may be used for this:

1. Register of identified conflicts will be compiled by the business area for the Bank boards' approval and updated with new conflicts as and when identified. The registers will be reviewed on an annual basis and will identify the conflict, the severity of the conflict and documented controls to mitigate the conflict.
2. All employees (including management and compliance) are responsible for identifying specific instances of conflict and are required to notify their manager of any conflicts that they become aware of. This will be discussed in conjunction with the compliance department and an assessment made of the implications of the conflict and how it should be managed.
3. All employees shall at least annually, or as required, complete a declaration form (see Appendix C) identifying any relationships, positions, circumstances in which the employee is involved or connected to, which may result in a conflict of interest. Examples could be directorships or consultancy to an outside company, ownership of a business that may provide products and or services to the Bank, or interest in any unrelated business that does not necessarily transact with the Bank.

## **6 MANAGEMENT OF CONFLICTS**

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Once an assessment has been done, which will include an assessment of the materiality of such conflict, a decision will be made by management and compliance whether it is prudent to continue or if the conflict is too severe to discontinue further action.

If the conflict can be mitigated, agreed controls are put in place and these will be documented in the Conflicts Register.

## 7 MITIGATING CONTROLS

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### 7.1. Operating controls

Although not an exhaustive list, the primary methods that may be used by the Bank to manage actual or potential conflicts of interest include:

- The Bank, under the direct responsibility of the respective management boards, operates an independent compliance department that monitors the identification, avoidance and the management of conflicts of interest;
- Procedures and systems to identify specific situations where there are competing or adverse interests which will be collated in the Conflicts Register for annual committee and board consideration. This will include mitigation controls put in place to manage the conflict. A declaration form will also include the personal interests/business activities of employees to the extent that such business interest might cause an actual or perceived conflict of interest;
- Policies and procedures ensuring fair and/or equal treatment of clients or classes of clients (declaration by staff that they comply with the FAIS Codes of Conduct signed annually);
- Regulation of personal investment and business activities of the Bank employees by compliance to prevent conflicts of interest arising against the interests of clients;
- Training of employees;
- The Conflict of Interest Management Policy governing the acceptance and granting of inducements, including disclosure of such arrangements to clients;
- The general or specific disclosure of conflicts of interest to clients where necessary, including but not limited to, instances where it is not considered possible to have sufficient arrangements to avoid or wholly manage a conflict of interest;
- A forum comprising compliance and business head to offer guidance to staff in cases of doubt; and
- Declaration signed by employees stating they have read and fully understood the provisions of the document and the application thereof.

### 7.2. Policies

In addition to this policy, the Bank has various internal policies in place to manage and mitigate conflicts of interests. These include:

- A Code of Ethics;
- Gifts Policy; and
- Personal Account Trading Policy.



## 8 OWNERSHIP INTERESTS AND ARRANGEMENTS WITH THIRD PARTIES & ASSOCIATES

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Attached as appendix A is:

- a list of all the Bank's associates;
- the names of any third parties in which the Bank holds an ownership interest;
- the names of any third parties that hold an ownership interest in the Bank;
- the nature and extent of the ownership interests referred to above.

## 9 NON-COMPLIANCE

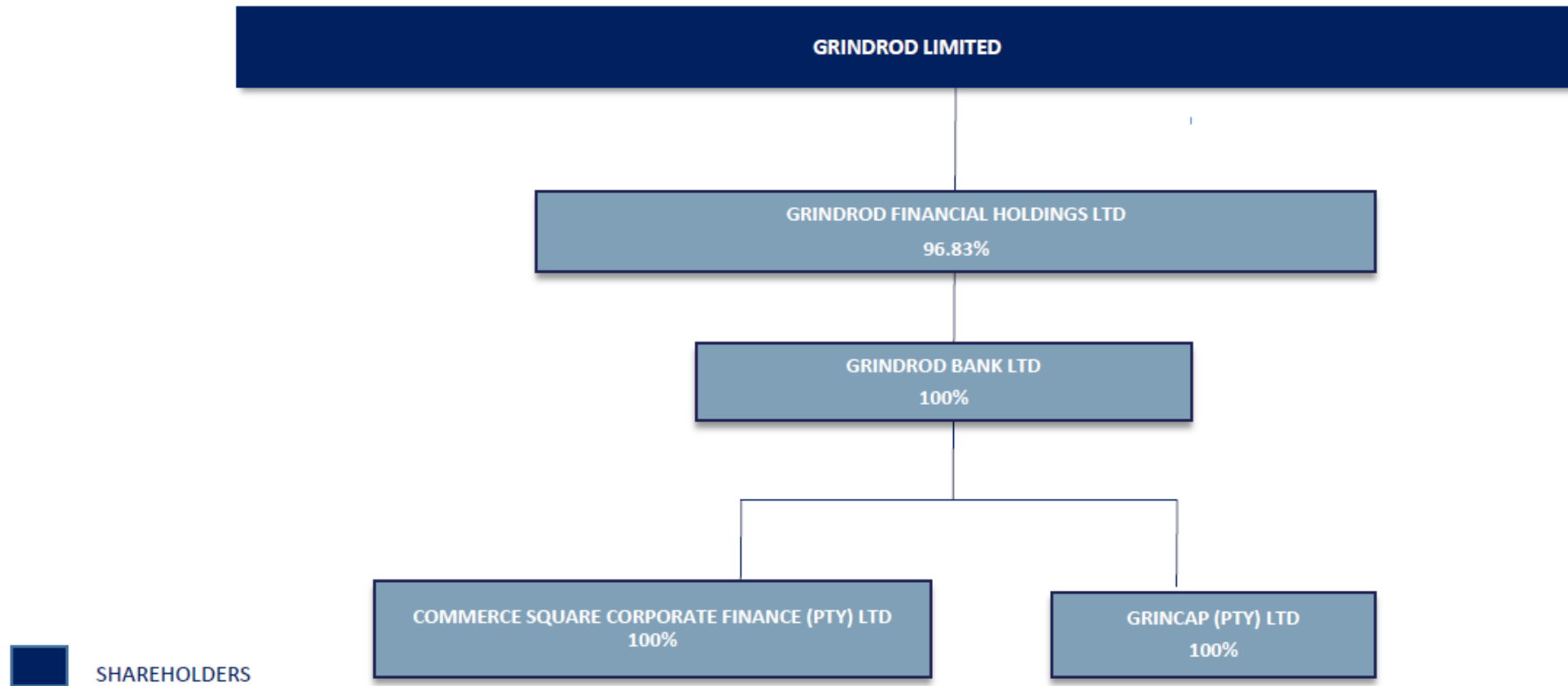
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This policy forms part of the General FAIS Policy for the Bank employees and representatives. Non-compliance with the policy will lead to the appropriate disciplinary steps which in turn could lead to debarment or dismissal as applicable. Any avoidance, limitation or circumvention of this policy will be deemed non-compliance.

VERSION	DATE	APPROVED BY	AMENDMENTS
4	18 November 2015	GBL Board	Annual review by Compliance and amendments
5	16 November 2016	GBL Board	Annual review by Compliance
6	November 2017	GBL Board	Annual review by Compliance
7	November 2018	GBL Board	Annual review by Compliance (no amendments)
8	November 2019	GBL Board	Annual review by Compliance

# 10 ANNEXURE A

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# 12 ANNEXURE C

## DECLARATION OF INTEREST

1. Surname: 6. ID Number:
2. Full Forenames: 7. Addresses
3. Former Forenames and/or Surnames: Residential:
4. Nationality: Business:
5. Occupation: Postal:

Name of Company	Nature of Business	Registration Number	Registered Address	Date of App.	Shares Held	Nature of Interest	Status	Nature of changes and dates thereof

\_\_\_\_\_  
NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE