

# THE GARRUN GROUP

  

# CONFLICTS OF INTEREST

  

# POLICY

*Your Business Made Personal*

## 1. EXECUTIVE SUMMARY AND PURPOSE

- 1.1. The aim of The Garrun Group's ("Garrun") 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.
- 1.2. 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.
- 1.3. Important legislation with regard to COI's is Board Notice 58 of 2010 and Section 3A of the General Code of Good Conduct.
- 1.4. The Policy defines how COI are to be managed by Garrun – to identify potential COI, to avoid COI where possible and to disclose potential COI's.
- 1.5. A COI means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client, influence the objective performance of their obligations towards such a client, the focus is on any relationship that would prevent a person from rendering an unbiased and fair financial service to a client or from acting in the interest of that client, including but not limited to:
  - 1.5.1. a financial interest;
  - 1.5.2. an ownership interest;
  - 1.5.3. any relationship with a third party.

- 1.6. Immaterial Financial interests are not disclosed but captured and monitored in a central register.
- 1.7. The Garrun Group acts with the utmost good faith and exercises proper care and diligence with regard 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.
- 1.8. This policy applies to all employees, third parties where applicable and associates.
- 1.9. The policy will be reviewed annually and will be 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).
- 1.10. This document will be made available to all of Garrun's clients through any of the following mediums:
  - 1.10.1. any office or branch of Garrun;
  - 1.10.2. post;
  - 1.10.3. e-mail; and
  - 1.10.4. via Garrun's website [www.garrun-group.co.za](http://www.garrun-group.co.za).

## **2. IDENTIFYING COI's**

- 2.1. Garrun 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 –
  - 2.1.1. Commission authorised in terms of the Short-Term Insurance Act No. 53 of 1998 ("STIA");
  - 2.1.2. Fees authorised in terms of the STIA if those fees are reasonably commensurate to a service being rendered;
  - 2.1.3. Fees or remuneration for the rendering of a financial service in respect are not paid, if those fees –
    - Are specifically agreed to by a client in writing; and

- May be stopped at the discretion of the client.
- 2.1.4. 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;
- 2.1.5. Subject to other law, an immaterial financial interest;
- 2.1.6. A financial interest not referred to in paragraphs 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.
- 2.1.7. Sales tools or services (electronic or otherwise) that Garrun 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 Garrun's business requirements;
  - Not essential, but offers value to the representatives in terms of enhancing/supplementing the representatives' interactions with clients; and
  - Regarded as other services.
- 2.1.8. Services that are essential in enabling the representative to prepare, submit and/or finalise Garrun's transaction documentation, may be offered unless it would influence the representative in the objective performance of his/her functions or prevent the representative from rendering unbiased service;
- 2.1.9. Services that are not essential in enabling the representative to do business with Garrun, but which offers the representative value in terms of enhancing or supplementing the representative's interaction with clients may be provided if there is clear proof of benefiting the client and does not create a COI;

2.1.10. Services that do not form part of those described above may be made available to a representative at a fair market value.

2.1.11. Garrun will only provide bone fide training to representatives on:

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

2.1.12. Garrun 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; 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.

2.1.13. 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 need to be put in place to manage the conflict.

### **3. AVOIDING COI**

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

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

#### **4. DISCLOSURES OF COI**

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

#### **5. PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE**

- 5.1. The compliance officer (“CO”) of Garrun is responsible for managing and updating this policy annually and will provide guidance to management thereof.
- 5.2. 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.

- 5.3. All employees of Garrun are responsible for identifying specific instances of COI and are required to notify Garrun's CO of a COI as soon they become aware of it. The CO will record the COI in the COI register immediately and escalate the COI to the Chief Compliance Officer with a recommendation as to how the COI should be avoided or managed;
- 5.4. Documented guidelines to management on the provision of 'immaterial financial interest' are set out in annexure D below;
- 5.5. Documentation and processes which have been formulated to identify, avoid, mitigate and disclose COI can be seen in Annexures C – D.
- 5.6. A COI register has been drafted and the CO is responsible for recording COI's.
- 5.7. Each Representative will annually submit a COI Declaration form to the Compliance Department as per Annexure D.
- 5.8. 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;
- 5.9. Disciplinary procedures in Garrun provide for the review of any breach by employees and determine appropriate sanctions;
- 5.10. If employees are of the view that their own conduct has caused this policy to be breached, they must inform their manager at the earliest opportunity and thereafter, management must report this breach to the CO for further investigation;
- 5.11. When employees reasonably suspect a co-worker or contractor 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 CO for further investigation.

## **6. TRAINING AND AWARENESS**

6.1. All Garrun employees and contractors will receive training regarding this policy annually. This policy must be included in any training and training materials provided to representatives.

## **7. CONSEQUENCES OF NON-COMPLIANCE**

7.1. The penalty for non-compliance of specific provisions of the FAIS act, is an amount of up to R1 million or a period of up to 10 (ten) years imprisonment.

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

7.3. The Garrun group will impose disciplinary action on its offending employees.

7.4. Civil or criminal prosecution may result.

## **ANNEXURE 'A'**

### **PRODUCT SUPPLIERS THAT SUPPLY GARRUN WITH FINANCIAL PRODUCTS AND IN WHICH GARRUN HAS AN OWNERSHIP INTEREST**

<b>NUMBER</b>	<b>PRODUCT SUPPLIER</b>	<b>NATURE OF OWNERSHIP</b>	<b>EXTENT OF OWNERSHIP</b>	<b>RELEVANT ASSOCIATES</b>	<b>AGREEMENTS / ARRANGEMENTS WHERE FINANCIAL INTEREST IS PROVIDED TO A</b>



					PROVIDER OR ITS REPRESENTATIVE
<b><u>NONE EXIST</u></b>					

## **ANNEXURE 'B'**

### **Guidelines to evaluate the providing of “immaterial financial” interests to providers**

- **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 his/her client:

- **“Conflict of interest”** – This means any situation where an FSP or representative has an actual or potential interest (financial or otherwise) that may influence the objective exercise of his/her obligations to a client. The focus is on any relationship (e.g. with a product provider) that would prevent such a person from offering unbiased and fair advice (or intermediary service) or from acting in the interest of a client.
- **Principle based requirement** - The following principle applies:

*“A provider or 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.”*

- **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);



- **“Financial Interest”** – means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, training, sponsorship, other incentive or valuable consideration, other than an ownership interest.
- **Immaterial financial interest** - means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year, received by a provider or its associate, or representative from the same third party or an associate of that third party in that calendar year. the focus is on the immateriality of the financial interest that is given, but is subject to an overall maximum amount; and
- Financial interest for which the Broker pays a fair value.
- **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 (as indicated by the examples used in this document) 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 R1000 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 R1000 amount is aimed at providers (FSP`s) 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 FSP’s, 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**

- ✚ **Golf days**

An invitation to a broker to attend a golf game is acceptable and is not viewed as creating an unallowable conflict of interest. The limitation is however that this may only include reasonable expenses to be paid for by the FSP. Reasonable expenses would be linked to the specific circumstances of an event, but always limited to an overall maximum amount of R1000 per calendar year. As such an invitation falls within the definition of an allowable financial interest, this would need to be recorded and will be subject to the R1000 pa immaterial financial interest limit.

- ✚ **Sporting and similar events**

As part of its normal marketing activities, Insurers/providers may at times host (or be asked to participate in) a charity event (e.g. sponsoring a golf event or hole). When an Insurer/Provider invites brokers to play (as part of the benefits afforded to the FSP for its sponsorship), this is not regarded as creating an unallowable conflict of interest. The limitation set out in (a) (i) above applies.

- ✚ **Invitations to cultural events**

The same limitation as set out in (a) (i) above applies.

- **Hosting Events for brokers**

- ✚ **Golf Days**

Insurers/providers hosting a golf day for brokers' is regarded as creating an unallowable conflict of interest.

#### **✚ Hunting/fishing**

Insurers/Providers hosting a social trip for brokers is regarded as creating an unallowable conflict of interest.

#### **✚ Inviting brokers to conduct a “due diligence” visit to an FSP**

Insurers/Providers inviting brokers (and their managers) to interact with the Insurers/Providers staff is not regarded as an unallowable conflict of interest. The limitation would however be that no travel or accommodation costs may be paid for by the FSP. Normal business courtesies (linked to reasonable expenses) would be allowable but would be subject to the overall maximum of R1000 per annum in any calendar year.

#### **✚ Providing brokers with marketing material to conduct promotional projects**

Providing brokers with a complimentary supply of the Insurers/Providers' specific branded material to conduct his/her own promotional activities, is regarded as creating an unallowable conflict of interest. Providing marketing material to brokers at the normal distribution price is acceptable. (Bear in mind that providing free promotional material and including this as an “immaterial financial interest” is not allowed.

#### **✚ Providing brokers with an Insurer's/Provider's diary (or other date-linked items)**

Providing a broker with a diary is not regarded as creating an unallowable conflict of interest. The cost of such a diary should however be included in the calculation of “immaterial financial interest” (in relation to such a broker).

#### **✚ Hosting product seminars on behalf of a broker**

An FSP (who is also a product provider) may invite its clients to a function where its products are explained. At such a function the FSP is the host and sends out invitations to its clients (and prospective clients). Brokers may request the product provider to send invitations to his/her clients, but the guest list remains the sole



responsibility of the product provider. The FSP (product provider) may provide reasonable refreshments to its clients (and prospective clients) at such functions.

- **Personal gifts of nominal value**

Providing a supporting broker with a gift of a nominal value at special occasions e.g. at the end of the year, at birthdays, anniversaries is allowed provided that the cost of such gift should be included in the calculation of “immaterial financial interest”.



## **ANNEXURE C**

### **REPRESENTATIVE AND KEY INDIVIDUAL DECLARATION OF CONFLICTS OF INTEREST**

I \_\_\_\_\_ understand that if I, my family and close relatives and personal friends have any direct or indirect interest in any company which has business dealings with suppliers and/or insurers, I shall make a declaration to The Garrun Groups Compliance Department and to my clients. The abovementioned declarations will be made as and when they arise to clients and to the Compliance Department once a year.

Clients are encouraged to view our Conflicts of Interest Policy which can be found on our website at the bottom under the heading Access to Information Act or they may request a copy from our Compliance Officer at [compliance@garrun-group.co.za](mailto:compliance@garrun-group.co.za).

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.

I hereby declare the following material existing/potential conflicts of interest (means any financial interest which exceeds the value of R1000 (one thousand rand) in 1 (one) calendar year) arising from the discharge of my duties and concerning the Insurer

#### **CONFLICTS OF INTEREST**

1. Persons/Companies with whom/which I have private financial or ownership interests:

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2. These are the financial interests exceeding R1000 in a (calendar) year that I received (including invitation to Golf days, cultural events and personal gifts).



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3. Any other Conflicts of Interest I feel I should disclose

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Representative/Key Individual of the Garrun Group:

Signature: \_\_\_\_\_ Name: \_\_\_\_\_

Date: \_\_\_\_\_