



# Capitec FAIS Conflict of Interest Management policy

V02

## **Purpose**

The purpose of this document is for Capitec Bank Limited (Registration number 1980/003695/06) ("Capitec Bank") to adopt, maintain and implement a Conflict of Interest Management policy ("the Policy") that complies with the requirements of the Financial Advisory and Intermediary Services Act, 37 of 2002 ("FAIS") and to ensure that objective, unbiased and fair financial services are rendered to clients

## **Adherence**

All Banking Clients and employees

## **CAPITEC BANK LIMITED**

Approved by: Risk and Regulatory Oversight Committee Charter

Effective date: 07 November 2022

Review date: 01 August 2024

# Capitec FAIS Conflict of Interest Management policy

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# 1. Key definitions

1.1 Financial service - Financial service refers to furnishing of advice and/or intermediary services.

## 1.1.1 Advice

Means, subject to subsection (3):

- any recommendation, guidance or proposal of a financial nature furnished, by any means or medium, to any client or group of clients:
  - in respect of the purchase of any financial product
- in respect of the investment in any financial product
- on the conclusion of any other transaction, including a loan or cession, aimed at the incurring of any liability or the acquisition of any right or benefit in respect of any financial product
- on the variation of any term or condition applying to a financial product, on the replacement of any such product, or on the termination of any purchase of or investment in any such product

## 1.1.2 Intermediary service

" Means, subject to subsection (3)(6), any act other than the furnishing of advice, performed by a person for or on behalf of a client or product supplier:

- the result of which is that a client may enter, offers to enter, or enters into any transaction in respect of a financial product with a product supplier
- or with a view to:
  - buying, selling, or otherwise dealing in (whether on a discretionary or non-discretionary basis), managing, administering, keeping in safe custody, maintaining, or servicing a financial product purchased by a client from a product supplier or in which the client has invested
  - collecting or accounting for premiums or other moneys payable by the client to a product supplier in respect of a financial product
  - receiving, submitting, or processing the claims of a client against a product supplier

## 1.2 Key individual

Refers to any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service.

## 1.3 Representative

Means any person, including a person employed or mandated by such first mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting, or other service in a subsidiary or subordinate capacity, which service:

- does not require judgment on the part of the latter person

- does not lead a client to any specific transaction in respect of a financial product in response to general enquiries

#### 1.4 **Financial interest**

A financial interest could include cash, cash equivalents, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentives, or valuable consideration, other than ownership interest and training.

#### 1.5 **Ownership interests**

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 includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

#### 1.6 **Third party relationship**

1.6.1 A product supplier.

1.6.2 Another provider.

1.6.3 An associate of a product supplier or a provider.

1.6.4 A distribution channel.

1.6.5 Any person who in terms of an agreement or arrangement with a person referred to in paragraphs above provides a financial interest to a provider or its representatives.

## 2. **Purpose of this policy**

The purpose of this document is for Capitec to adopt, maintain and implement a Conflict-of-Interest Management Policy ("the Policy") that complies with the requirements of the Financial Advisory and Intermediary Services Act, 37 of 2002 ("FAIS") and to ensure that objective, unbiased and fair financial services are rendered to clients.



Capitec has an internal Conflict of Interest policy which is different from this policy and is concerned with conflict of interest and insider trading relating to employees and directors, dealing in securities

## 3. **What is a Conflict of Interest?**

3.1 The FAIS General Code of Conduct for Authorised Financial Services Providers and Representatives, BN 80 of 8 August 2003 ("the GCOC") defines a conflict of interest as: 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:

3.1.1 Influence the objective performance of their or its obligations to that client.

3.1.2 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:

- a financial interest
- an ownership interest
- any relationship with a third party

3.2 A conflict of interest is therefore any situation where Capitec or its employees have an actual or potential interest that may, in rendering financial services to clients, influence the objective performance of our obligations, or the rendering of an unbiased and fair financial service, or acting in the interest of our clients.

## 4. Policy statement

4.1 Capitec is committed to the prudent management of its business in accordance with the requirements of FAIS and the GCOC with respect to conflicts of interest.

4.2 Capitec undertakes to conduct its business with integrity and due diligence, complying with both the spirit and letter of the law, as well as all internal policies and procedures.

4.3 This policy describes the procedures that will be followed to ensure that any potential conflict of interest is avoided to protect our client's interest.

4.4 Where the avoidance of a potential conflict is not possible and the client's interests might not be sufficiently protected, Capitec will disclose all the relevant facts to the client to make an informed decision.

### 4.5 Principle 1: Avoid conflict of interest

4.5.1 Capitec and its employees will in all their activities avoid conflict of interest by rendering financial services honestly, with due skill, care, and diligence and in the interest of clients and the integrity of the financial services industry. That will be done by enforcing internal policies and procedures which aim to ensure avoidance of conflict of interests by ensuring:

- Adherence to a non-advice model
- Financial interests are regularly reviewed, and stringent performance indicators are enforced which consider the fair treatment of clients
- Monthly oversight is conducted to ensure that all representatives have delivered fair outcomes to clients before receiving any financial interests
- Due diligence is conducted to proactively identify any potential conflict of interest before establishing any third-party relationships
- Due diligence is performed to proactively identify any potential conflict of interest in relation to ownership interests
- Adherence to the Gift and Invitations policy

4.5.2 Whenever any potential conflict of interest is identified, Capitec will consider whether any practical means exist to avoid the conflict of interest. Where this is not practical, the process set out under Principle 2 below will be followed.

#### 4.6 **Principle 2: Mitigate conflict of interest where it cannot be avoided**

4.6.1 Where avoidance of a conflict of interest is not possible, mechanisms are in place to identify such conflict and measures will be taken to mitigate the risk and make required disclosures to clients.

4.6.2 The following mechanisms are in place to identify conflict of interest:

- All conflicts identified by Capitec, and its employees will be referred to Capitec's Key Individual for consideration and guidance
- Ad hoc reviews are performed by Capitec to identify and address any conflicts of interest

4.6.3 Where a conflict of interest cannot be avoided, Capitec or its employees must obtain guidance from Capitec's Key Individual on the reasons why the conflict cannot be avoided, with proposed mitigating measures to managing the conflict. If the parties are satisfied that the conflict of interest cannot be avoided and will not negatively impact the client, full disclosure of the conflict of interest will be made to the client in question.

4.6.4 The reasons why the conflict of interest cannot be avoided, and the full disclosure made to the client in question regarding the conflict of interest will be documented by Capitec and those records will be kept for five years after termination, to the knowledge of Capitec, of the product concerned or, in any other case, after the rendering of the financial service concerned.

4.6.5 Capitec will at a reasonable opportunity and prior to rendering a financial service disclose the conflict of interest in the Disclosure Notice provided to the client in question; or in any other appropriate written document that will be provided to the client:

- Any conflict of interest in respect of that client and measures taken to mitigate

4.6.5.1 The Disclosure notice will disclose any conflict of interest in respect of that client, including:

- Measures taken to avoid or mitigate the conflict
- Any ownership or financial interest other than immaterial financial interest which gives rise to the conflict to enable the client to make an informed decision
- Inform the client on how to access the Capitec Conflict of Interest policy

#### 4.7 **Principle 3: Controls must be implemented to avoid conflict of interest**

4.7.1 Capitec has adopted appropriate processes, procedures, and internal controls, to manage all identified conflicts of interest and to facilitate compliance with this policy:

- Employees are trained on this policy and relevant controls
- Regular monitoring and reviews are conducted to test compliance with the policy
- In instances of non-compliance the standard Capitec disciplinary processes as set out in the Disciplinary Code will be followed which may lead to dismissal and/or debarment

4.8 **Principle 4: Limitations apply to financial interests offered and received to or from a third party by Capitec**

4.8.1 Capitec will comply with section 3A of the FAIS General Code of Conduct (GCOC), including the limits on the provision and acceptance of financial interest as set out in section 3A(1)(a).

4.9 **Principle 5: Limitations apply to financial interests offered to employees of Capitec**

4.9.1 A financial interest could include cash, cash equivalents, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentives, or valuable consideration, other than ownership interest and training.

4.9.2 When offering financial interest to its employees as set out in Addendum A, Capitec will comply with the provisions of section 3A(1)(b) of the FAIS General Code of Conduct (GCOC) by ensuring that it will not:

- Give preference to quantity of business to the exclusion of quality of services rendered to clients
- Give preference to a specific product supplier, where the representative can recommend more than one product supplier to the client
- Give preference to a specific product of a product supplier, where the representative can recommend more than one product of the product supplier to the client

4.10 **Principle 6: Training**

4.10.1 Employees must know and understand this policy and related business processes relevant to their roles:

- These requirements will be communicated mostly by specific training, also by induction programmes and employee awareness initiatives
- Training attendance registers will be kept by Capitec

4.10.2 All employees receive guidance and training in these procedures and are subject to monitoring and review processes.

## 5. **Third Parties, Associates and Ownership Interest**

The GCOC requires the disclosure of the following relationships, as set out in Addendum A:

- The associates of Capitec
- Third parties in which Capitec holds an ownership interest
- Third parties that hold an ownership interest in Capitec

## 6. **Acceptance of this policy**

The Board of Directors of Capitec accept this policy.

## 7. **Publication of this policy**

The policy will be published on the Capitec website at [www.capitecbank.co.za](http://www.capitecbank.co.za).

## 8. **Employees and representatives**

8.1 All Capitec employees and representatives must adhere to this policy and will confirm compliance with this policy when required.

8.2 Failure to adhere to this policy will lead to disciplinary action, which may lead to dismissal and/or debarment.

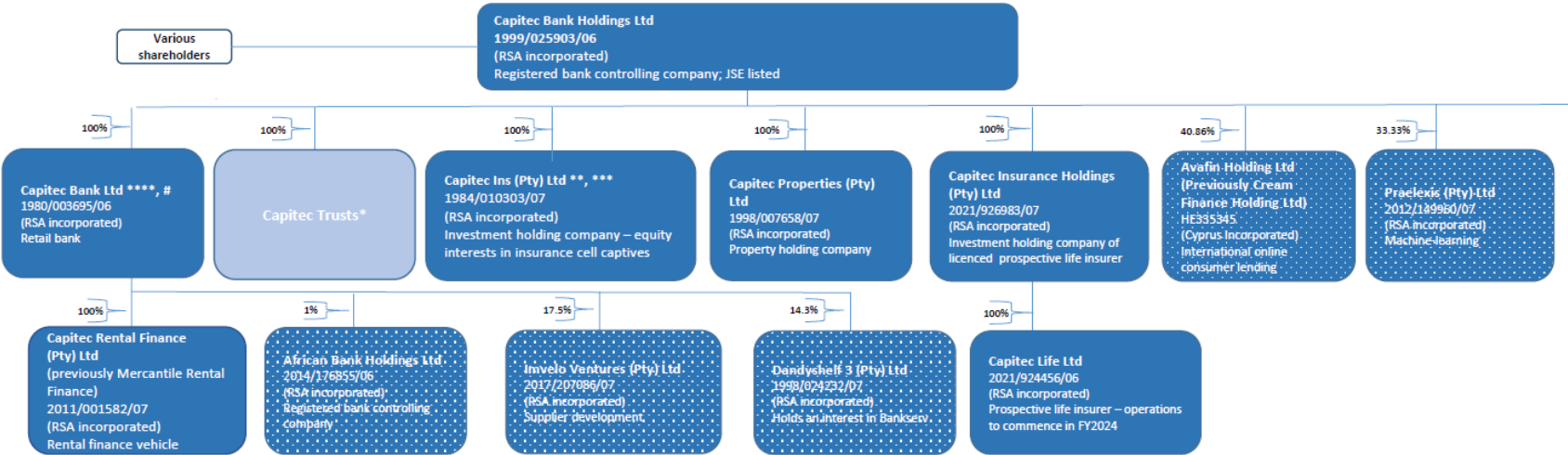
## 9. **Maintenance of this policy**

9.1 This policy will be reviewed annually to ensure that the requirements of FAIS, the GCOC and business requirements or relationships are adequately addressed and provided for in this policy. If required, the policy will be updated upon approval by the Risk Committee

9.2 Continuous monitoring of compliance to this policy will be conducted by Capitec. Reports on the non-compliance of this policy will be provided to the Risk Committee.



10. Addendum: Third Parties, Associates and Ownership Interest



**Notes:**

- \* The trusts (Capitec Bank Holdings Share Trust, Capitec Bank Group Employee Empowerment Trust and Capitec Foundation Trust) are reflected as part of the group structure because accounting standards dictate that they be consolidated into the group financial statements.
- \*\* Capitec Ins Proprietary Limited concluded an agreement effective 31 March 2021 to acquire 2 ordinary L class shares in a Guardrisk Cell Captive structure that entitles the company to dividends as determined by Guardrisk Life Limited from time to time. (Capitec Ins has 0% holding in Guardrisk Life Limited ordinary shares)
- \*\*\* Capitec Ins Proprietary Limited concluded an agreement effective 31 March 2021 to acquire 5 preference shares in a Centria Cell Captive structure that entitles the company to dividends as determined by Centria Life Insurance Company Limited from time to time (Capitec Ins has 0% holding in Centria Life Insurance Company Limited ordinary shares)
- \*\*\*\* Capitec Bank Limited holds 32 shares in SWIFT (non-strategic)
- # Capitec Bank Limited holds 100% of the redeemable B ordinary shares issued by Imvelo Ventures (Pty) Ltd. These shares are non-voting except to the extent that the B shareholder's rights and privileges are affected.

31 March 2023

## 10.1 Representatives' incentives and criteria used

The FAIS General Code of Conduct requires financial service providers (FSPs) to provide information on type of financial interests offered to representatives, how the representatives will be entitled to such financial interest and how the financial interest complies with the Act.

### 10.1.1 Types of financial interests offered to representatives and criteria

- 10.1.1.1 Monthly and Quarterly cash incentives are offered to representatives in retail which are based on a range of criteria. The incentives are not designed to give preference to the quantity of business secured with the exclusion of quality or give preference to a specific product supplier over another.



Other representatives or employees the bank including the business bank division receive fixed salaries and do not receive incentives which are in relation to rendering of financial services or which may influence the rendering of financial services to clients

### 10.1.2 Criteria for representatives who receive incentives

- 10.1.2.1 Representatives who receive incentives for financial services rendered must satisfy the following criteria:

- Representatives must be able to demonstrate adherence to Capitec's minimum service level standards which aim to deliver fair outcomes to clients
- Representatives must demonstrate compliance with the FAIS Act
- Representatives must demonstrate adherence to Capitec bank's non-advice model, all clients must be given information to make an informed decision
- Complaints received from clients are considered to ensure the representatives delivered fair outcomes before receiving incentives
- Representatives must comply with Capitec's gift and invitations policy



Capitec performs oversight and considers client feedback to ensure incentivised representatives satisfy the above criteria

### 10.1.3 How Capitec ensures that the financial interest adheres to the FAIS Act

- 10.1.3.1 Capitec follows a non-advice model, whereby all representatives and service consultants in retail are not permitted to give advice about any financial product but to only provide information to ensure the client is in control and able to make an informed decision. Representatives in the business division are permitted to give advice, however, do not receive incentives for financial services provided.
- 10.1.3.2 Representatives in retail are registered for intermediary services scripted and follow a script approved by Capitec's Key individual to mitigate against any conflict of interests which may arise.
- 10.1.3.3 Capitec has a gift and invitation policy which complies with the Act to mitigate against any conflict of interests which may arise, all employees are required to declare any material corporate gifts and invitations received on the Gifts and Invitations register.



Employees are prohibited from accepting any gifts from clients, of any value, at any time, under any circumstances. Non-adherence may lead to dismissal and/or debarment

- 10.1.3.4 Representatives who receive incentives for financial services rendered must demonstrate quality rather than quantity of service, deliver fair outcomes to clients and compliance with the Act.
- 10.1.3.5 Direct oversight is performed on all Capitec divisions where financial services are offered, to ensure compliance with the Act.
- 10.1.3.6 Capitec does not have multiple product suppliers for a specific financial product and there are no 3rd party incentives.