



**WELLSFABER (PTY) LTD FSP 639**

## **CONFLICT OF INTEREST MANAGEMENT POLICY**

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This policy applies from 19 April 2011 and has been adopted by the board of directors of WellsFaber (Pty) Ltd ("WF").

In terms of the General Code of Conduct for Authorised Financial Services Providers and Representatives, as amended ("the code"), promulgated in terms of the provisions of the Financial Advisory and Intermediary Services Act 37 of 2002 ("FAIS Act") financial services providers ("Providers") must take all necessary steps to 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 accordance with our conflict of interest management policy, WF places a high priority on its clients' interests. As conflicts of interest affecting clients could undermine the integrity and professionalism of our business, any instances must be identified as early as possible. If conflict situations cannot be avoided, they must be managed equitably and in the client's interest. Detecting potential or recognized conflicts of interest that could compromise the interest of its clients and managing and limiting the impact of conflicts of interest therefore constitute an integral part of WF's duties and obligations.

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# I CONFLICT OF INTEREST:

## What do we mean by this?

A conflict of interest is a situation in which the interests of WF, in the exercise of its activities, and the interests of its clients, are directly or indirectly in competition, and which could significantly prejudice the client's interests. This notion concerns WF in its capacity as a management and financial advisory services company, and all individuals working for WF. A conflict of interest may occur in the provision of an investment service (management under mandate, fund management and advisory services). A conflict of interest may be recognized (actually indentified) or potential (conceivable). It includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a third party.

## What is a conflict of interest situation?

Conflict of interest situations that could prejudice a client may take a variety of forms, whether or not WF suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional. At least four types of situations are defined by WF in respect of management under mandate / financial advisory services to help determine whether a potential conflict of interest situation might occur.

- WF or an employee will realize financial gain or avoid a potential loss at the client's expense,
- The interest of WF, or an employee may be different from the client's interest,
- WF, or an employee is induced to favour one client over another (whether for financial reasons or otherwise),
- WF or an employee will gain an advantage (financial or in kind) from a third party in the execution of the service conducted on behalf of the client.

This management policy has been adopted to enable prevention of potential conflicts of interest, manage actual conflicts of interest and to communicate them effectively to clients. The policy is based on a system of prevention, detection, management, communication and recording conflicts of interest.

## Prevention, detection and management

WF has indentified specific potential conflicts of interest in relation to its activities which may be encountered by WF when we deliver our services to clients. For each situation, WF will analyse

whether the risk is actual or potential for one or more of its clients. To handle potential or actual conflict of interest situations, WF may:

- Conduct the transaction while, given the conflict of interest generated by it, follow procedures that enable appropriate management of the situation in order to avoid damaging the interests of the client in question, the integrity of the financial services industry and WF
- Avoid conducting the transaction that would potentially generate a conflict of interest
- Inform the client in the event that certain conflicts of interest exist and communicate the necessary information about the type and origin of the conflict of interest to the client, so that the client can make a fully informed decision regarding the proposed transaction.

### **Recognized and potential conflicts of interest**

WF has identified the following processes to identify conflicts of interest:

- a regular review of the advice and services offered to determine whether an actual or potential conflict of interest exists
- an annual review of contracts held with third parties to determine whether this relationship influences our ability to act in the interest of the client
- all employees must disclose any conflicts of interest that they may become aware of on an on-going basis
- all gifts received from third parties, with an estimated value of more than R100 or more, are recorded in the gift register which is kept on our compliance file in accordance with FAIS requirements
- all records associated with an actual or potential conflict of interest are kept in the conflicts of interest register in the compliance file which is available for inspection

### **Procedure if a conflict of interest arises:**

The Compliance Officer, is responsible for updating the conflicts of interest register. If a new potential or actual conflict of interest should arise, Rose Laros will send a memo to the Key Individuals so that the transaction that could potentially generate a conflict of interest may be accepted or declined, and managed in the client's interest. If a conflict of interest cannot be properly managed, the necessary information on the type and origin of the conflict of interest will be communicated to the client, to enable the client to make a fully informed decision. All the documents and supporting evidence will be maintained on record.

In general, all measures and complementary procedures will be taken to ensure the required level of independence.

## Management of potential or actual conflicts of interest:

Potential and actual conflict of interest situations are managed on the following:

- Ethical principles = Predominant among these rules are the principles of client sovereignty, equity, impartiality, respect for professional secrecy, market integrity and compliance with laws and regulations.
- A control system to ensure monitoring of the conflicts of interest and corrective measures taken.
- WF will not deal in any financial product for our own benefit, account or interest, which will compromise a client in any way.
  
- WF and the representatives will only receive or offer the following financial interest from or to a third party:
  - commission and fees as authorised under the Long-term Insurance Act
  - fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, provided that the client agrees to such fees in writing and this can be stopped at the discretion of the client
  - fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonable commensurate to the service being rendered
  - an immaterial financial interest i.e. with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year - received by a representative for that representative's direct benefit, or by WF for our benefit or the benefit for some or all the representatives where we aggregate the immaterial financial interest paid to the representatives
  - a financial interest not referred to above for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by a provider at the time of receipt thereof.
  
- No representative will receive any financial interest 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 the product supplier to a client

## **2 DISCLOSURE OF CONFLICTS OF INTEREST:**

- The Letter of Introduction makes reference to the conflict of interest policy
- On the discovery and identification of a conflict of interest, and the subsequent determination of its unavailability, full disclosure must be made in writing to all the Key Individuals. If the information is provided verbally, such information must be confirmed in writing at the earliest reasonable opportunity
- Full disclosure of the actual or potential conflict of interest must be made to the compliance officer

## **3 CONSEQUENCES OF NON-DISCLOSURE:**

If there is reason to believe a representative or employee failed to disclose an actual or potential conflict of interest, that person shall be given the opportunity to explain the alleged failure to the Key Individuals. Where it is determined that person failed to disclose an actual or potential conflict of interest, we shall take appropriate disciplinary and corrective action.

## **4 RISK AND COMPLIANCE MANAGEMENT FRAMEWORK:**

Conflict of interest monitoring is included in our Risk Management Plan which forms part of our Risk Management Framework.

## **5 TRAINING:**

Appropriate training has been developed to enable employees to identify conflict of interest situations.

## **6 OWNERSHIP INTEREST:**

WF does not hold an ownership interest in any third party.

WellsFaber Investment Holdings (Pty) Ltd owns 100% of the shares issued by WF and Mazars Financial Services (Cape Town) (Pty) Ltd.

The shareholders of WellsFaber Investment Holdings (Pty) Ltd are as follows:

|          |  |
|----------|--|
| 44.9377% | RECM Holdings (Pty) Ltd                  |
| 20.4238% | Mazars Financial Services 2016 (Pty) Ltd |
| 34.6385% | Management & staff                       |

Mr Johannes Cornelis van Niekerk is a shareholder in RECM Holdings (Pty) Ltd through a family trust. He is a Key Individual of WellsFaber (Pty) Ltd and a director of RECM Holdings (Pty) Ltd and WellsFaber Investment Holdings (Pty) Ltd. Mr Johannes Cornelis van Niekerk indirectly holds more than 10% of the shares in the RECM Collective Schemes. From time to time WellsFaber representatives may advise clients to invest in products managed by RECM. Mr Johannes Cornelis van Niekerk is not actively involved in decision making regarding the choice of funds offered by representatives to clients.

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