



# Capitec Bank FAIS Conflict of Interest Management policy

V01

## **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

Effective date: 2 August 2021

Next review date: May 2022

# Capitec Bank FAIS Conflict of Interest Management policy

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## 1. Purpose of this Policy

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.

## 2. What is a Conflict of Interest?

2.1 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:

2.1.1 Influence the objective performance of his, her or its obligations to that client; or

2.1.2 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:

2.1.2.1 A financial interest.

2.1.2.2 An ownership interest.

2.1.2.3 Any relationship with a third party.

2.2 A conflict of interest is therefore any situation where Capitec Bank or its representatives 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.

## 3. Policy Statement

3.1 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.

3.2 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.

3.3 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.

3.4 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.

### 3.4 Principle 1: Avoid conflict of interest

3.4.1 Capitec will avoid conflicts of interest, subject to Principle 2.

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

3.5.1 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.

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

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

3.5.3 Where a conflict of interest cannot be avoided Capitec or its representatives must obtain guidance from Capitec's Key Individual on the reasons why the conflict cannot be avoided with proposed mitigating measures. 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 clients.

3.5.4 The reasons why the conflict of interest cannot be avoided and the full disclosure made to the client 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.

3.5.5 Capitec will disclose the conflict of interest in the Disclosure Notice provided to the client; or in any other appropriate written document that will be provided to the client.

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

3.6.1 Capitec adopted appropriate processes, procedures and internal controls, to manage all conflict of interest and to facilitate compliance with this policy:

- Employees and representatives are trained on this policy and relevant controls
- Regular monitoring and review are conducted to test compliance with the policy
- In instances of non-compliance the standard Capitec disciplinary processes will be followed

3.6.2 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 above will be followed.

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

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

3.8 **Principle 5: Limitations apply to financial interests offered to representatives of Capitec**

3.8.1 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.

3.8.2 When offering financial interest to its representatives as set out in Annexure A, Capitec Bank will comply with the provisions of section 3A(1)(b) of the FAIS General Code of Conduct 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 member

3.9 **Principle 6: Training**

3.9.1 Employees and representatives 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

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

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

The GCOC requires the disclosure of the following relationships, as set out in Annexure 1:

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

## 5. **Acceptance of this Policy**

The Board of Directors of Capitec adopted this policy.

## **6. Publication of this Policy**

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

## **7. Employees and Representatives**

7.1 Employees and representatives of Capitec must adhere to this policy and will confirm compliance with this policy when required.

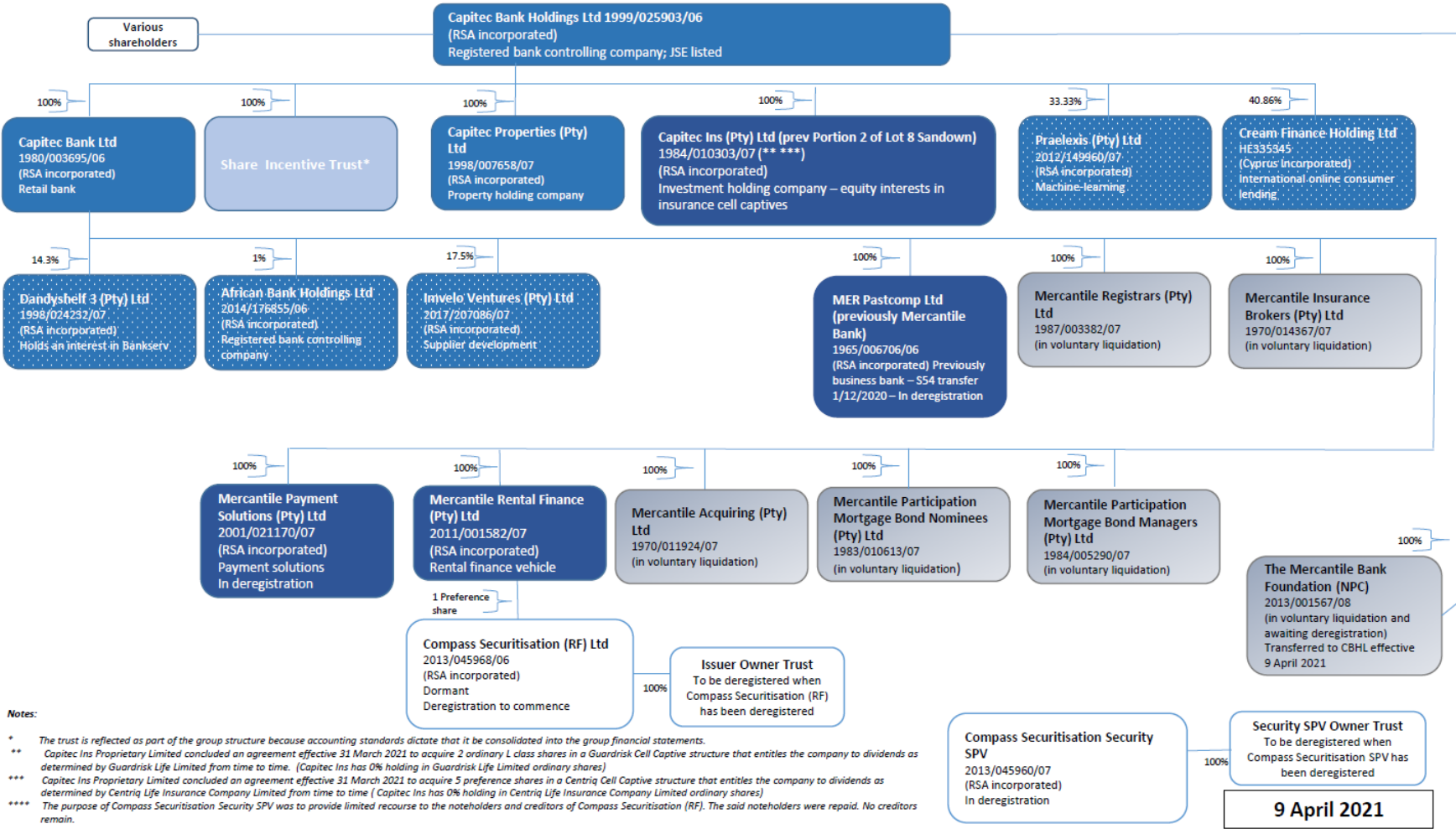
7.2 Training will be provided to the representatives on a regular basis to ensure compliance with the policy.

## **8. Maintenance of this policy**

8.1 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 (RISCO).

8.2 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 Capitec Bank Risk Committee.

9. Addendum A: Third Parties, Associates and Ownership Interest



## 9.1 Representatives' incentives and criteria used

The FAIS General Code of Conduct requires FSP's to provide information on type of financial interests offered to representatives, how the representatives will be entitled for such financial interest and how the financial interest complies with the Act.

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

- 9.1.1.1 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 of 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

### 9.1.2 Criteria for representatives who receive incentives

- 9.1.2.1 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 taken into account 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

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

- 9.1.3.1 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.
- 9.1.3.2 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.
- 9.1.3.3 Capitec has a gift and invitation policy which complies with the Act to mitigate against any conflict of interests which may arise, all employees must adhere to, non-adherence may result in disciplinary action.



- 9.1.3.4 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.
- 9.1.3.5 Direct oversight is performed on all Capitec divisions where financial services are offered, to ensure compliance with the act.
- 9.1.3.6 Capitec does not have multiple product suppliers for a specific financial product and there are no 3rd party incentives.