



CONFLICT OF INTEREST MANAGEMENT POLICY

A1 FINANCIAL SERVICES ACTION PLAN

Section 3A of the FAIS General Code of Conduct has been amended effective 26 December 2020, whereby the scope of requirements for Conflict of Interest have been altered and expanded to include a more principle based approach. It is critical for all A1 FINANCIAL SERVICESs to adopt these changes into their Conflict of Interest Policy, that related processes and procedures be updated and staff training is updated.

Step 1: The Key Individual or Responsible person must:

- a) Review Sections 1 – 6 and identify the sections that are applicable to your A1 FINANCIAL SERVICES.
- b) Update and customise Sections 1 – 6 (including any applicable annexures) to ensure that your A1 FINANCIAL SERVICESs details and specific duties, depending on financial interest, remuneration structure are representatives included.

Step 2: Customised Conflict of Interest Policy to be signed off by A1 Financial Services.

Step 3: A1 FINANCIAL SERVICES must share the updated policy with staff or other persons who require updated training for Conflict of Interest.

Step 4: Implement policy and use the Conflict of Interest register. You do not have to implement a new Conflict of Interest register or format but must make sure that the register you are using is fit for purpose and is appropriate to capture, monitor and report on all Conflict of Interest situations.

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1. Introduction

In terms of the Financial Advisory and Intermediary Services Act, 2002, *A1 Financial Services* (“A1 Financial Services”) is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage Conflict of Interest (“COI”). Section 3A(2)(a) of the FAIS General Code of Conduct (“GCOC) stipulates that every financial services provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act.

2. Purpose

The purpose of this policy is to comply with these obligations and provide for mechanisms in place to identify, mitigate and manage the conflicts of interest to which A1 Financial Services is a party. In addition, to ensure alignment between the values of the organisation and the conduct of its people by safeguarding clients’ interests and ensuring the fair treatment of clients.

A1 Financial Services is committed to ensuring that all business is conducted in accordance with good business practice. To this end, A1 FINANCIAL SERVICES conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, A1 Financial Services is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients’ interests is our primary concern and so our policy sets out how:

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients’ interests;
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients’ interests through identified conflict of interest.

To achieve the objectives set out above, this policy sets out the rules, principles and standards of A1 Financial Services COI management procedures, by documenting them in a clear and understandable format.

3. Scope of application

This policy is applicable to A1 Financial Services, all providers of A1 Financial Services, key individuals, representatives, associates and administrative personnel. A1 Financial Services is committed to ensuring compliance with this policy and the processes will be monitored on an ongoing basis.

Any non-compliance with the policy will be viewed in a severe light. Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable.

Avoidance, limitation, or circumvention of this policy via an associate will be deemed non-compliance.

A1 Financial Service background

A1 Financial Services (Pty) Ltd (A1 Brokers) has been in existence since 2010. The business initially commenced as a call center focused on medical collections. It evolved into a collections business focused on retail collections. In 2015 the founders sold the business to Sanjay Maharajh.

On purchasing the business, Sanjay Maharaj decided to diversify into sales with a focus on financial services. The business applied for a FSP license, and the license was issued on 11/10/2016. The underlying strategy is to focus on high volume lower value products. The intention was to build the business brokerage into a call center and a network of field offices. A1 Financial Services employs approximately 150 employees and 60 of them are Representatives. The FSP also has a Juristic Representative Altitude Business Management (Pty) Ltd loaded on the Register and they have approximately 285 agents employed by them. A1 Financial Services also holds 50% Shareholding in Altitude Business Management (Pty) Ltd.

Understanding Conflict of Interest

3.1 WHEN IS IT A CONFLICT OF INTEREST?

A COI means any situation in which A1 Financial Services or one of our representatives has an actual or potential interest that may, in rendering a financial service to our clients -

- influence the objective performance of obligations to that client; or
- prevents us from rendering an unbiased and fair financial service, or
- prevents us from acting in the interests of that client.

An “actual or potential interest” includes but is no limited to:

- A **financial interest**, which includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration which exceeds R1000 per calendar year.¹
- An **ownership interest** which means any equity or proprietary interest and any dividend, profit share or similar benefit derived from that equity or ownership interest.
- Any **relationship with a third party**, meaning any relationship with a product supplier, other A1 FINANCIAL SERVICES, an associate of a product supplier or an associate of A1 Financial Services. A third party also includes any other person who, in terms of an agreement or arrangement, provides a financial interest to A1 Financial Services or its representatives.
- An **immaterial financial Interest**, which is any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 in any calendar year from the same third-party in that calendar year received by –
 - a provider who is a sole proprietor; or
 - a representative for that representative's direct benefit;
 - a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;

¹ Financial Interest excludes an ownership interest and Training, that is not exclusively available to a selected group of providers or representatives where that training is related to products and legal matters relating to (1) those products, (2) General financial and industry information, (3) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training and (4) qualifying enterprise development contribution to a qualifying beneficiary entity.

3.2 WHAT TYPE OF INTEREST MAY WE GIVE AND RECEIVE?²

A1 Financial Services and our representatives may only offer to and receive specific financial interests from a third party³, which includes the following:

1. "Other fees" specifically agreed to by the client and which can be stopped by the client at their discretion but only if agreed in writing with the client, including details of the amount, frequency, payment method and recipient of those fees, as well as the details of services to be provided in exchange for the fees.
2. Fees or remuneration for services that were rendered to a third party.
3. An immaterial financial interest.
4. Any other financial interest not mentioned above for which a consideration, fair value or remuneration that is reasonably commensurate is paid by that provider or representative, at the time of receiving that financial interest.

3.3 ON WHAT BASIS MAY WE GIVE AND RECEIVE FINANCIAL INTERESTS?

The financial interest referred to in points 2, 3, and 4 above may only be offered or received by A1 Financial Services or its representatives, if:

- The financial interests are proportionate (reasonably commensurate) to the service being rendered, considering the nature of the service, the resources, skills and competencies that are reasonably required to perform it.
- The payment of those financial interests does not result in A1 Financial Services or representatives being remunerated more than once for performing the same service.
- Any actual or potential conflicts between the interests of clients and the interests of the person receiving those financial interests are effectively mitigated; and
- The payment of those financial interests does not impede the delivery of fair outcomes to clients.

² It is important to note that where the same legal entity is a product supplier and FSP, this section does not apply to the representatives of that entity. That entity is subject to the requirements set out in sections 4.4 of this report (FAIS GCOC S3A(1)(b) and 3A(1)(bA) in respect of its representatives.

³ FAIS GCOC S3A. FAIS GCOC S1 "third party" means a product supplier, another provider, associate of a product supplier or a provider, a distribution channel and any person who in terms of an agreement or arrangement with a person referred to previously provides a financial interest to a provider or its representatives.

3.4 FINANCIAL INTERESTS FOR REPRESENTATIVES OF A1 FINANCIAL SERVICES

A1 Financial Services may not offer any financial interest to a representative of that A1 FINANCIAL SERVICES –

- For 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.
- For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client
- That is determined with reference to the quantity of business, without also giving due regard to the delivery of fair outcomes for clients.

In relation to delivery of fair outcomes for clients, A1 Financial Services must demonstrate that a determination of a representative's entitlement to a financial interest, considers measurable indicators, relating to the:

- Achievement of minimum service level standards in respect of clients
- Delivery of fair outcomes for clients; and
- Quality of the representative's compliance with the FAIS Act.

The measurable indicators are agreed in writing between A1 Financial Services and its representative and sufficient weight (significance) are attached to these indicators to materially mitigate the risk of the representative(s) giving preference to the quantity of business secured for A1 Financial Services over the fair treatment of clients.

A1 Financial Services does not offer a sign-on bonus⁴ to any person, other than a new entrant⁵, as an incentive to become a provider authorised or appointed to give advice.

The way in which A1 Financial Services remunerates its representatives and complies with these requirements, is set out in section 6 of this policy.

⁴ This requirement is only applicable to CAT I providers that are authorised to give advice. Refer to the definitions section of this policy.

⁵ A person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider.

5. Processes and Internal Controls to manage Conflict of Interest

5.1 IDENTIFICATION OF CONFLICT OF INTEREST

To adequately manage COI, A1 Financial Services must identify all relevant conflicts timeously. In determining whether there is or may be a COI to which the policy applies, A1 Financial Services considers whether there is a material risk of unfair treatment or bias for the client, considering whether A1 Financial Services or its representative, associate or employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an 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 a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of. The Key Individual will assess the implications of the conflict and how the conflict should be managed, acting impartially to avoid a material risk of harming clients' interests.

5.2 MEASURES FOR AVOIDANCE AND MITIGATION OF CONFLICT OF INTEREST

To ensure that A1 Financial Services can identify, avoid and mitigate COI situations, A1 Financial Services creates awareness and knowledge of applicable stipulations, through training and educational material. Where a COI situation cannot be avoided, these instances are recorded on A1 Financial Services's conflict of interest register.

A1 Financial Services ensures the understanding and adoption of A1 Financial Services's conflict of interest policy and management measures by all employees, representatives and associates through training on the COI policy.

The Key Individual 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 then agree on the controls that need to be put in place to manage the conflict. Once a conflict of interest has been identified it needs to be appropriately and adequately managed and disclosed, in line with the below steps.

5.3 MEASURES FOR MANDATORY DISCLOSURE OF CONFLICT OF INTEREST

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned.

In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. The Key Individual will ensure transparency and manage conflict of interests. The client must be informed on the Conflict of Interest Policy and where they may access the policy.

5.4 ONGOING MONITORING OF CONFLICT OF INTEREST MANAGEMENT

The key individual or staff member in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters. A1 Financial Services will conduct *ad hoc* checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his general monitoring duties and will report thereon in the annual compliance report.

This policy shall be reviewed annually and updated if applicable. The compliance function is outsourced to an external Compliance company with no shareholding in this A1 FINANCIAL SERVICES. The Compliance practice functions objectively and sufficiently independently of A1 Financial Services and monitors the process, procedures and policies that A1 Financial Services has adopted to avoid conflicts of interest.

5.5 TRAINING AND STAFF

Comprehensive training on the Conflict of Interest is provided to all employees and representatives as part of specific and/or general training on the FAIS Act and GCOC.

Training will be incorporated as part of all new appointees' induction. Ongoing and refresher training on A1 Financial Services' Conflict of Interest management processes and policy is provided on an annual basis.

5.6 REGISTERS

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, *[we confirm that there are no circumstances which could lead to a potential conflict of interest]*. Should any conflicts arise with regard to any of these, prior to entering into any business transaction with you, we undertake to disclose these in the registers below.

All gifts, financial interest, immaterial financial interest and any other COI situations as outlined in this policy, must be recorded in A1 Financial Services' COI register, attached as Annexure A.

6. REMUNERATION POLICY

This section of the Policy specifies the type of and the basis on which a representative of A1 Financial Services will qualify for a financial interest that A1 Financial Services offers and motivates how that financial interest complies with the requirements of this policy.

Our remuneration policy is...

Remuneration within A1 Financial Services is aligned to corporate strategy. Such remuneration adheres to principles of good corporate governance, as contained in the King IV Report.

The remuneration policy of A1 Financial Services promotes and supports positive outcomes across the economic and social context in which the company operates. It promotes an ethical culture and responsible corporate citizenship. It further incorporates the principles of TFC.

It is recorded that all remuneration increases within the company are based upon company assessment of the employee's individual work performance and abilities, together with the overall financial performance of the company's business as a whole during the preceding financial year. Employment Contracts does not create any expectation of guaranteed remuneration increases, any remuneration increases are solely within the discretion of the company.

The company will abide by stipulated minimum wages promulgated in terms of any relevant legislation from time to time.

The employee's salary will be paid monthly in arrears less any statutory deductions which the company is required to make (including UIF and PAYE) and any other deductions to which the employee has agreed including but not limited to the following:

Representatives within A1 Financial Services are remunerated by fixed salary and commission paid by product providers, employees that are not in the capacity of a representatives are remunerated by fixed salary discretionary bonuses are paid to representatives in relation to the following factors

- **Quality of business**
- **Reaching of targets**

Bonuses are not linked to quality over quantity but overall performance.

We do receive more than 30% of our remuneration from AVBOB and this is disclosed to our clients.

7. Annexures

● **ANNEXURE A – CONFLICT OF INTEREST REGISTER**

Type	Date Received	From	To	Reason	Value	Approved?	Approver	Sign
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		
Choose an item.						Yes/No		

We take pride therein that our advice is objective and free of external influence, but wish to disclose to you, our valued client, that we have received the following financial interests and wish to disclose the value and the reason for receiving the financial interests.

● ANNEXURE B – POLICY ADOPTION AND VERSION CONTROL

Date	Version	Detail of change or amendment	Person	Signature

Policy owner: _____

[Add in a name of who will be responsible for supervision and monitoring of this policy as well as the process to be followed e.g. inspection of new business transactions, client interviews, discussion with product providers, etc]

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● ANNEXURE C – ADDITIONAL DEFINITIONS

Associate

(a) In relation to a natural person, means–

- (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
- (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
- (iii) a parent or stepparent of that person;
- (iv) a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
- (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
- (vi) a person who is in a commercial partnership with that person;

(b) in relation to a juristic person–

- (i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
- (ii) which is a close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
- (iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person–
 - (aa) had such first-mentioned juristic person been a company; or
 - (bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- (iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;

(c) in relation to any person–

- (i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
- (ii) includes any trust controlled or administered by that person.

Fair Value

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

FSC

Means the Financial Sector Code published in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, (Act 53 of 2003), as amended from time to time

Distribution channel means

- a) Any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client.
- b) Any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier.
- c) Any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

New Entrant

Is a person who has never been authorised as a financial services provider or appointed as a representative by any A1 FINANCIAL SERVICES.

No-claim bonus means

Any benefit that is directly or indirectly provided or made available to a client by a product supplier in the event that the client does not claim or does not make a certain claim under a financial product within a specified period of time.

Measured Entity

Has the meaning assigned to it in the FSC insofar it relates to a qualifying enterprise development contribution.

Qualifying Beneficiary Entity

Has the meaning contemplated in the FSC insofar as it relates to a qualifying enterprise development contribution

Qualifying Enterprise Development Contribution

Has the meaning assigned to it in the FSC

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 establishment of a 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.