



**59 16th Road
Halfway House
MIDRAND**

**FSP Number 19664
Conflict of Interest Management Policy**

By: Group Compliance

1. DOCUMENT STATUS

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2. Version History

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Nov 2014	1.2014 – FINAL	Final draft of the ABL Conflicts of Interest Management policy presented for approval to the ABIL Board Risk sub-committee

3. Approval

Date	Version	Reviewers / Approval Forum	Actions / Approvals
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1. Purpose

This policy deals with conflicts of interest within African Bank Limited, our employees and our clients. The aim of the policy is to make sure that we avoid or mitigate any conflict of interest situations that could negatively affect our clients.

2. Application

This policy applies to all employees, which are deemed to include:

1. Directors
2. Executives
3. Managers
4. Permanent employees
5. Contract and/or temporary employees

A conflict of interest arises when an actual or potential interest may influence you from acting fairly, independently and objectively towards our clients.

All African Bank's employees must follow this policy, which is required by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS). This policy is one part of our comprehensive framework aimed at ensuring that we follow all laws that apply to our industry.

3. Code Definitions

African Bank has adopted the following definitions as set out in the General Code of Conduct (as amended by Board Notice 58 of 2010), as issued under The Financial Advisory & Intermediary Services Act, Act No 37 of 2002, and as applying to its policy and procedures.

Conflict of interest

"Conflict of Interest" means *"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 either:*

- ❖ *influence the objective performance of his, her or its obligations to that client;*
or
- ❖ *prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to a financial interest an ownership interest or any relationship with a third party"*

"financial interest" means *"any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than:*

(a) an ownership interest;

(b) training that is not exclusively available to a selected group of providers or representatives, on:

(i) products and legal matters relating to those products;

(ii) general financial and industry information;

(iii) specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training;

“immaterial financial interest” means *“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”*;

Third party

A **“third” party** means *“a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel and any other person who in terms of an agreement provides a financial interest to a provider or its representatives”*;

Associate

“associate” is defined, in the case of a company, as *“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”*

Ownership interest means:

1. 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
2. includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

4. Manner in which conflict situations arise

Potential conflict of interest situations can arise from the company’s business activities with:

1. insurers with whom there is a business/ownership relationship
2. financial service providers (FSPs) with whom there is a business/ownership relationship
3. distribution channels with whom there is a business/ownership relationship
4. persons with whom there is a business/ownership relationship
5. service providers with whom there is a business/ownership relationship

[Any of the above parties in which African Bank or its holding companies has an ownership interest are deemed Associates of African Bank. These associates along with relevant details are listed in an annexure to this policy. (Note: Companies in the group which do not have an operational relationship with African Bank are excluded)].

6. African Bank, or other group company, employees as a result of employment contracts, investments and remuneration policies
7. any other relevant relationship that may exist within the company or other group companies

5. Assessment of potential conflict situations

African Bank assesses whether there are conflict situations within its business through:

1. documenting the existing relationships and arrangements that are in place that are conflict or potential conflict situations,
2. assessing, before the commencement of any new transaction and when taking on a new business partner, whether or not this will create a conflict or potential conflict. If conflict exists, then a decision is taken as to whether this conflict is to be avoided or mitigated and the decision recorded accordingly.

These documented situations are reviewed regularly by the company's Management in conjunction with its Compliance Officer as part of the ongoing monitoring process and forms the basis of an on-going reporting strategy to/for the company's board of directors and should the need arise, to the Financial Services Board (which is the ultimate authority governing the financial services sector). Any potential conflicts identified are considered along with existing situations and processes to determine whether further avoidance, mitigation or additional disclosures are appropriate.

6. Process to be followed

The process commences with the identification and documentation of relationships as follows:

1. Associate relationships when this is based on common shareholding or management control and where there is any subsidiary or holding company relationship. Companies in the wider African Bank group which do not have an operational relationship with African Bank are excluded.
2. Third party relationships which African Bank or its employees may have with:
 - 2.1 Product suppliers (insurers), which includes any of their associates.
 - 2.2 Other FSPs, including any of their associates.

2.3 Product distribution channels.

2.4 Suppliers outside the insurance environment, such as IT suppliers and security companies.

3. For each of the above relationships, ownership interests, financial interest paid from or to the identified parties and immaterial financial interest paid from or to the identified parties are regularly assessed.

4. Staff remuneration policies are considered.

7. Mitigation Process

The process outlined above allows African Bank to assess its relationships, including those of its staff, and to fully document the process and conclusions. Once the situation has been assessed, the options available include;

1. Firstly, avoidance, which means to not enter into or to distance the company from the circumstance or situation that creates the conflict, *or*
2. Secondly mitigate, which means to acknowledge the conflict situation, but put in place measures that endeavor to reduce the impact of the conflict, *and*
3. Thirdly to disclose to the affected parties the details of the situations that are identified and the measures taken, if any, to reduce the conflict.

Any solution established could be a combination of all the above options. The approach is to firstly avoid where possible, mitigate others and disclose the position where the company has decided to continue the action or transaction.

Where disclosure of conflicts (including potential conflicts) involves clients, the standard approach to adopt is formal disclosure "at the earliest reasonable opportunity". Such opportunity is deemed to be when clients are provided with the initial advice/quote, which is undertaken by the broker.

8. Disclosure requirements

African Bank is obliged to make certain disclosures to the clients which it services. These obligatory disclosures include:

1. The conflicts or potential conflicts which may exist,
2. The measures taken to avoid or mitigate these conflicts
3. Ownership interests including shareholding, dividends, and similar payments.

4. Financial interests that may become due or paid to African Bank, such as vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of the relationships and/or arrangements that exist that create the conflict or potential conflict.
6. Making available copies of this Conflict of Interest Management Policy.

A list is attached of associates and 3rd parties, along with any ownership interest by African Bank and/or staff.

9. Adherence to the policy

Achieving adherence to this policy on Conflict of Interest is achieved by:

1. Including the adherence to and breaches of the policy as an agenda item on management meetings.
2. Making this policy readily available to all clients and other interested parties.
3. Providing a copy to all staff and associates and 3rd parties who are required to acknowledge receipt thereof.
4. Providing regular awareness training to all staff.
5. Including compliance with this policy as an integral part of African Bank's code of employment and non-compliance as a likely disciplinary procedure.
6. Requiring all staff to complete, at least annually, a Conflict of Interest Questionnaire.
7. Requiring all staff to sign a formal declaration relating to the understanding and adherence to this policy.
8. Requiring management to include in its compliance program a regular review of African Bank's ethical policies and standards. This includes an obligation on management and/or the compliance officer to report non-compliance to the authorities if appropriate corrective action is not taken.

10. Representative incentivisation

Representatives rendering intermediary services for the FSP, African Bank Ltd, may qualify to earn monthly production incentives. The following areas are noted with a brief explanation of the method of incentivisation :

1. Branch Sales Consultants: For the selling of Funeral Policies, points are allocated once the first premium has been successfully received. These points are included in the overall Performance Scorecard used by Retail Ops. This allocation of points only at point of first premium receipt guarantees that the policy is in fact activated.
2. Sales Contact Centre Agents (Insurance) : For the selling of Funeral Policies, points are allocated once the first premium has been successfully received. These points are included in the overall Performance Scorecard used by Retail Ops. This allocation of points only at point of first premium receipt guarantees that the policy is in fact activated.
3. Contact Centre Insurance Service Agents: Based on volume targets, quality assurance and abandonment rate, agents may qualify for a once off Rand value payment payable monthly.

The representative only sells the products of one product supplier, and can therefore not recommend more than one product supplier. Equally the representative cannot give preference to a specific product in favour of another product. Therefore, the incentive would not (and cannot) be paid in such circumstances

11. Commission payable by Product Supplier to FSP

African Bank as an intermediary receives commission equal to 22.5% of the gross premium for the sale of credit life policies from Stangen. The commission is the sole remuneration that African Bank receives as consideration for offering the credit life insurance policies underwritten by Stangen.

African Bank in turn does not provide its employees with any financial incentive or commission regarding the offering of the financial products.

African Bank also receives a binder fee of R32 (Incl. VAT) for determining premiums under each credit life policy sold (once-off).

African Bank as an intermediary of Stangen receives commission equal to 3.25% of the gross premium for the sale of Claim Express Funeral Policies with the benefit amount of more than R30 000.

African Bank as an intermediary of Stangen receives commission equal to 20% of the gross premium for the sale of Claim Express Funeral Policies with the benefit amount of less than R30 000.

African Bank also receives commission of 5% or 15% on Crime Injury and Personal Accident group scheme policies (refer to addendum attached).

Detailed Commission Structure

- Credit Life – Group business (with administrative work)
 - 22.5% of the single premium under a single premium policy
 - 22.5% of the premium payable under a multiple premium policy

- Credit Life – Group business (without administrative work)
 - 7.5% of the single premium under a single premium policy
 - 7.5% of the premium payable under a multiple premium policy

- Funeral – Individual business
 - 7.5% of the single premium under a single premium policy
 - 3.25% of the premium payable under a multiple premium policy as primary commission and a further one third of that amount as secondary commission.

The primary commission is payable in the first year, and the secondary commission in the second year, subject to commission claw back in the event of early termination of the policy.

- Funeral – Group Business
 - 22.5% of the single premium under a single premium policy
 - 22.5% of the premium payable under a multiple premium policy

- Funeral – Group business (without administrative work)
 - 7.5% of the single premium under a single premium
 - 7.5% of the premium payable under a multiple premium policy

- Assistance – Individual and Group business (with administrative work)
 - 20% of the single premium under a single premium policy
 - 20% of the premium payable under a multiple premium policy

Amendment A.1 (Annexure A)

of the Intermediary Agreement between The Standard General Insurance Company Limited and African Bank Limited

Effective date

This amendment is effective from 31 July 2013.

Annexure A

Products

The Insurer has mandated the intermediary to distribute the following products from the commencement date:

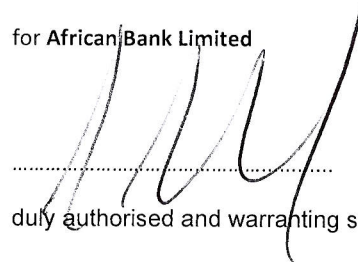
- Credit Life – Individual business
- Credit Life - Group business
- Funeral – Individual business
- Funeral – Group business
- Assistance – Individual business
- Assistance – Group business
- **Crime Injury – Group business**
- **Crime Injury – Individual business**
- **Personal Accident – Group business**
- **Personal Accident – Individual business**

Signed at _____ on _____ 2013

Witness



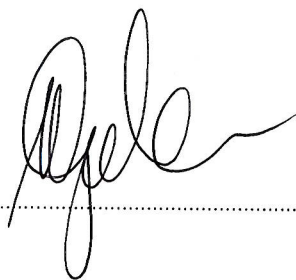
for African Bank Limited



duly authorised and warranting such authority

Signed at _____ on _____ 2013

Witness



for African Bank Limited



duly authorised and warranting such authority

Signed at **MEDRANO** on **8 AUGUST** 2013

Witness

for Standard General Insurance Company Limited

 **A. DARBY**



M. BOTHA

duly authorised and warranting such authority

Amendment B.1 (Annexure B)

of the Intermediary Agreement between The Standard General Insurance Company Limited and African Bank Limited

Effective date

This amendment is effective from 31 July 2013.




Annexure B

Commission

The Insurer will pay the Intermediary the following commissions (excl VAT) in line with regulations and as per agreement between the parties:

– Credit Life – Individual business

Original term of policy in months	Maximum commission as a % of premium	Original term of policy in months	Maximum commission as a % of premium	Original term of policy in months	Maximum commission as a % of premium
<9	• 3.25%				
9	3.44%			77	6.39%
10		• 43	• 5.36%	78	6.42%
11	• 3.46%	• 44	• 5.39%	79	6.45%
12	• 3.48%	• 45	• 5.42%	80	6.48%
13	• 3.50%	• 46	5.45%	81	6.51%
14	• 4.54%	• 47	• 5.48%	82	6.55%
15	• 4.57%	• 48	• 5.50%	83	6.58%
16	• 4.60%	• 49	• 5.53%	84	6.61%
17	• 4.62%	• 50	• 5.56%		
18	• 4.65%	• 51	• 5.59%		
19	• 4.67%	• 52	• 5.62%		
20	• 4.70%	• 53	• 5.65%		
21	• 4.73%	• 54	• 5.68%		
22	• 4.75%	• 55	• 5.71%		
23	• 4.78%	• 56	• 5.74%		
24	• 4.81%	• 57	• 5.77%		
25	• 4.83%	• 58	• 5.80%		
26	• 4.83%	• 59	• 5.83%		
27	• 4.89%	• 60	• 5.86%		
28	• 4.91%	• 61	• 5.89%		
29	• 4.94%	• 62	• 5.92%		
30	• 4.97%	• 63	• 5.95%		
31	• 5.00%	• 64	• 5.98%		
	• 5.02%	• 65	• 6.01%		

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32	• 5.05%	• 66	• 6.04%		
33	• 5.08%	• 67	• 6.07%		
34	• 5.11%	• 68	• 6.10%		
35	• 5.13%	• 69	• 6.14%		
36	• 5.16%	• 70	• 6.17%		
37	• 5.19%	• 71	• 6.20%		
38	• 5.22%	• 72	• 6.23%		
39	• 5.25%	• 73	• 6.26%		
40	• 5.27%	• 74	• 6.29%		
41	• 5.30%	• 75	• 6.32%		
42	• 5.33%	• 76	• 6.35%		

Credit Life - Group business (with administrative work)

- 22.5% of the single premium under a single premium policy
- 22.5% of the premium payable under a multiple premium policy

Credit Life - Group business (without administrative work)

- 7.5% of the single premium under a single premium policy
- 7.5% of the premium payable under a multiple premium policy

Funeral – Individual business

- 7.5% of the single premium under a single premium policy
- 3.25% of the premium payable under a multiple premium policy as primary commission, and a further one third of that amount as secondary commission. The primary commission is payable in the first year, and the secondary commission in the second year, subject to commission claw back in the event of early termination of the policy

Funeral – Group business

- 22.5% of the single premium under a single premium policy
- 22.5% of the premium payable under a multiple premium policy

Funeral - Group business (without administrative work)

- 7.5% of the single premium under a single premium policy
- 7.5% of the premium payable under a multiple premium policy

Assistance – Individual & Group business (with administrative work)

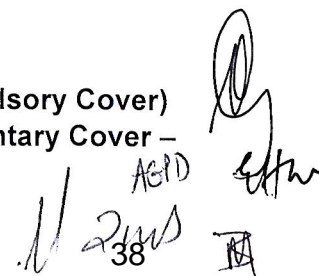
- 20% of the single premium under a single premium policy
- 20% of the premium payable under a multiple premium policy

Crime Injury – Individual business

- **3.25% of the premium payable under a multiple premium policy as primary commission, and a further one third of that amount as secondary commission. The primary commission is payable in the first year, and the secondary commission in the second year, subject to commission claw back in the event of early termination of the policy**

Crime Injury – Group business (with administrative work)

- **5% of the premium payable under a multiple premium policy (for Compulsory Cover)**
- **15% of the premium payable under a multiple premium policy (for Voluntary Cover – upsell or standalone)**



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Personal Accident – Individual business

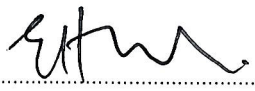
- o 3.25% of the premium payable under a multiple premium policy as primary commission, and a further one third of that amount as secondary commission. The primary commission is payable in the first year, and the secondary commission in the second year, subject to commission claw back in the event of early termination of the policy

Personal Accident – Group business (with administrative work)

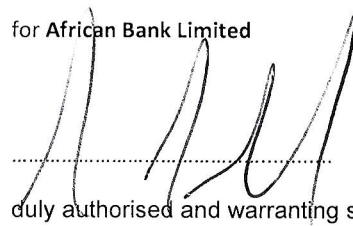
- o 5% of the premium payable under a multiple premium policy
- o 15% of the premium payable under a multiple premium policy (for Voluntary Cover – upsell or standalone)

Signed at _____ on _____ 2013

Witness

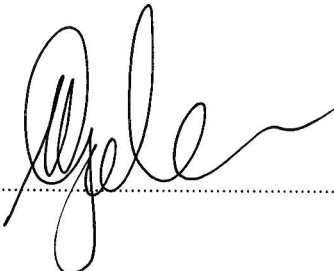

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for African Bank Limited


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duly authorised and warranting such authority

Signed at _____ on _____ 2013

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for African Bank Limited

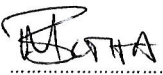

.....
duly authorised and warranting such authority

Signed at **MTDRAND** on **8 AUGUST** 2013

Witness

 **A.DARBY**
.....

for Standard General Insurance Company Limited

 **M. BOTHA**
.....
duly authorised and warranting such authority