

**WRITTEN RESOLUTION NUMBER 1/2016-17**  
**OF THE POLICY COMMITTEE ("THE COMMITTEE")**



**APPROVAL OF THE TFR FAIS CONFLICT OF INTEREST MANAGEMENT POLICY**

The FAIS Conflict of Interest Management Policy ("the Policy") sets out the management of Conflict of Interest as prescribed by the General Code of Conduct for Financial Services Providers and Representatives, 2003.

The Committee is hereby requested to consider and approve the enclosed Policy.



**ACCORDINGLY IT IS RESOLVED THAT:**

**The FAIS Conflict of Interest Management Policy, as enclosed, be and is hereby approved.**


Members	Agree	Disagree	Signature	Date
Ms Aneshree Vandeyar	The Member is conflicted because she is the Policy Sponsor.			
Mr Themba Mahenye	Agree	/		23/06/2016
Mr Tumelo Mokwena	Agree	/		26/07/16
Mr Gert Boshoff	Agree	/	G.B. Boshoff	26/7/2016



# FAIS CONFLICT OF INTEREST MANAGEMENT POLICY


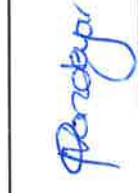
Policy Reference Number	
Version Number	<i>V.1/2016</i>
Effective Date	<i>1 April 2016</i>
Review Date	<i>31 March 2021</i>
Policy Owner	<i>Mr Shawn Phillips</i>
Signature	
Policy Sponsor	<i>Ms Aneshree Vandeyar</i>
Signature	
Date Approved	<i>26 July 2016</i>

**Stakeholders:**

	Name	Designation	Approval Signature	Date	E-Mail	Contact Number
<b>Compulsory Stakeholder Involvement</b>						
<b>Subject Matter Experts</b>	N/A					
<b>Risk Management</b>	N/A					
<b>Compliance</b>	Rick Duvenage	FAIS Compliance Officer		26/02/2016	Rick.Duvenage@transnet.net	011 544 9535
<b>Governance Services</b>	N/A					
<b>Other Stakeholder Involvement</b>						
<b>Human Capital (Incl. Labour Consultation)</b>	N/A					
<b>IT</b>	N/A					
<b>"Other"(Please specify)</b>	N/A					

**Recommended by Policy Owner and Policy Sponsor:**

We hereby acknowledge that a search has been conducted and that the Policy is not duplicated or in conflict with any other Transnet Policies.

	Name	Designation	Approval Signature	Date	E-Mail	Contact Number
<b>Policy Owner</b>	Shawn Phillips	FAIS Key Individual		7/3/2016	Shawn.Phillips@transnet.net	011 584 0535
<b>Policy Sponsor</b>	Aneshree Vandeyar	General Manager: Enterprise Risk Management		7/3/2016	Aneshree.Vandeyar@transnet.net	011 584 0506

**Final Approval**

**TFR Policy Committee**

Name of Committee

*26/7/2016*

Date Approved

**Summary of Version Control**

<b>Version Number</b>	<b>Effective Date</b>	<b>Summary of Changes</b>
V.1/2016	17/02/2016	Amendment of Policy Sponsor and Owner
	17/02/2016	Alignment with Group Policy Framework

## TABLE OF CONTENTS

<b>1</b>	<b>BACKGROUND</b>	<b>6</b>
<b>2</b>	<b>PURPOSE</b>	<b>6</b>
<b>3</b>	<b>DEFINITIONS</b>	<b>6</b>
<b>4</b>	<b>SCOPE</b>	<b>7</b>
<b>5</b>	<b>POLICY STATEMENT</b>	<b>8</b>
<b>6</b>	<b>ROLES &amp; RESPONSIBILITIES</b>	<b>10</b>
<b>7</b>	<b>RELATED INFORMATION AND REFERENCE</b>	<b>10</b>
<b>8</b>	<b>FINANCIAL IMPLICATIONS</b>	<b>11</b>
<b>9</b>	<b>EXCLUSIONS</b>	<b>11</b>
<b>10</b>	<b>REQUEST TO DEVIATE FROM POLICY</b>	<b>11</b>
<b>11</b>	<b>COMPLIANCE MONITORING</b>	<b>11</b>
<b>12</b>	<b>NON-COMPLIANCE</b>	<b>11</b>

## **BACKGROUND:**

1. The Financial Advisory Services Act, 2002 ("FAIS Act") is integral in protecting consumers and regulates market conduct in the financial services industry. Transnet Freight Rail ("TFR") is registered with the Financial Services Board ("FSB") as an Authorised Financial Services Provider (FSP No. 18828).
2. TFR supports consumer protection and all measures to improve the integrity of the South African financial services industry, and to protect organisational reputation and integrity, it is imperative that TFR complies with consumer protection regulatory requirements.

## **PURPOSE:**

3. The FAIS Conflict of Interest Management Policy (the "Policy") sets out the management of Conflict of Interest as prescribed by the General Code of Conduct for Financial Services Providers and Representatives, 2003 (the "Code"), and addresses the following:
  - 3.1 The mechanisms used to identify Conflict of Interest.
  - 3.2 The measures for avoidance and mitigation of Conflict of Interest.
  - 3.3 The measures for disclosure of Conflict of Interest.
  - 3.4 The processes and procedures to ensure conformance with this Policy.
  - 3.5 The consequences of non-conformance with this Policy.
  - 3.6 Details of the types of Financial Interests that Key Individuals and Representatives may receive.
  - 3.7 The basis on which any Financial Interest is received.

## **DEFINITIONS AND ABBREVIATIONS:**

4. **"Code"** means the General Code of Conduct for Financial Services Providers and Representatives, 2003.
5. **"Conflict of Interest"** means any situation where a FSP or Representative has an interest that may arise in rendering a financial service to an existing or potential customer, influence the objective performance of their obligations to an existing or potential customer or where it prevents the FSP or Representatives from rendering an unbiased and fair financial service to an existing or potential customer. This includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a Third Party.
6. **"FAIS"** means the Financial Advisory and Intermediary Services Act No. 37 of 2002.

7. **"FAIS Affected Staff"** means in relation to the FSP, the Key Individual/s and Representatives registered as such with FSB.
8. **"FAIS Compliance Officer"** means the Compliance Officer appointed by a FSP in terms of Section 17 of FAIS, which appointment is approved by the FSB.
9. **"Financial Interest"** means and includes cash, cash equivalent, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorships, other incentives or valuable consideration other than:
  - An ownership interest which is an equity or proprietary interest acquired for fair value and includes dividends, profit share and similar benefits; and/or
  - Training by a product supplier on products, general industry information and technical systems that are not exclusively available to a selected group of providers or representatives except for travel and accommodation associated with that training.
10. **"FSB"** means the Financial Services Board, established in terms of the Financial Services Board Act No. 97 of 1990.
11. **"FSP"** refers to TFR, an authorised Financial Services Provider.
12. **"Key Individual"** means in relation to a FSP, any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body relating to the rendering of any financial service.
13. **"Representative"** means any person (natural or juristic) who renders a financial service to a customer for or on behalf of a FSP in terms of conditions of employment or any other mandate.
14. **"STIA"** means the Short Term Insurance Act No. 53 of 1998.
15. **"TFR"** refers to Transnet Freight Rail, an Operating Division of Transnet SOC Ltd, a company duly incorporated in accordance with the Companies Act, 2008 (with registration number 1990/000900/30). A Cell Captive ownership interest (with registration number 00051) is jointly held with Guardrisk Holdings Limited.
16. **"Third Party"** includes a product supplier, another provider, a distribution channel and any associates of the product supplier and provider.

**SCOPE:**

17. The Policy applies to the FSP and all FAIS Affected Staff.



## **POLICY STATEMENT:**

18. The FSB is a South African regulatory body that oversees compliance with FAIS. As a FSP, TFR shall comply with the following requirements:

### **18.1 Conflict of Interest**

18.1.1 Conflict of Interest may occur when rendering a financial service to an existing or potential customer, when the FSP or a Representative does not act objectively or does not render an unbiased or fair service to an existing or potential customer or does not act in a customer's best interests. A key conflict may occur when the FSP or a Representative receives a financial or ownership interest from a Third Party.

18.1.2 In terms of the Code, the FSP must take all necessary steps to eliminate any practices and/or services that may create a conflict between their own interests and the interests of customers.

18.1.3 This Policy does not alter the Transnet Group's existing conflict of interest policies and management procedures, but is a supplementary Policy addressing the specific requirements of the Code.

18.1.4 Immaterial Financial Interests are dealt with under the Transnet Group's Gifts Policy. The Gifts Policy requires business areas to keep a register through which all employees must report gifts offered or received. The FAIS Compliance Officer has access to the register to facilitate compliance with the requirements of this Policy.

18.1.5 Conflict of Interest situations must be avoided. Where it is not possible to avoid any act, action or reward that may create a Conflict of Interest, appropriate steps must be taken to mitigate the impact and must be appropriately disclosed to an existing or potential customer at the earliest reasonable opportunity.

### **19. Identifying Conflict of Interest**

19.1 To identify a Conflict of Interest the following must be applied by the FSP:

- Analysis of all the distribution models of the FSP.
- Analysis of Third Party relationships within the various FSP.
- The types of Financial Interests received and/or offered.
- Remuneration models for Representatives must be signed off by the management of the applicable distribution channel and the relevant business area.

- Appropriate rules must be put in place around the receipt or offering of Immaterial Financial Interests as determined by the Gifts Policy.
- Regularly reviewing all disclosures in terms of FAIS to ensure appropriate identification and disclosure of Conflict of Interest.

### 19.2 **Managing Conflict of Interest**

Non-conformance with this Policy must be escalated to the FAIS Compliance Officer and Executive Manager: Governance, together with a recommendation as to the measures to be taken to mitigate the non-conformance.

### 19.3 **Contractual Relationship**

The contractual relationship with Key Individuals and Representatives prevents them from placing business with product suppliers outside of their mandate.

### 19.4 **Processes and Procedures for Compliance**

The following internal procedure must be followed:

- FAIS Affected Staff are required to read and familiarise themselves with the Code as well as this Policy, and to ensure that they fully understand the provisions of both documents and their application.
- Specific training and educational material on how FAIS Conflict of Interest may arise and how it can be avoided must be provided to FAIS Affected Staff on an ongoing basis.

### 19.5 **Financial Interests**

The FSP may only receive or offer the following Financial Interests from or to a Third Party:

- Regulated commission or fees under the STIA.
- Fees under the STIA if these fees are reasonably in line with the service being rendered.
- Any other fees for rendering a financial service for which no commission or fees are payable if such fees are specifically agreed to by a customer in writing and may be stopped at the customer's discretion.
- Fees or remuneration for rendering a service to a Third Party if such fees are reasonably in line with the service being rendered.

- Subject to any other regulatory requirement, an Immaterial Financial Interest.
  - A Financial Interest for which a consideration, fair value or remuneration that is reasonably in line with the value of the Financial Interest is paid by a FSP or Representative at the time of its receipt.
- 19.6 A FSP must not offer any Financial Interest to a Key Individual or Representative for:
- Favours quantity of business over quality of service;
  - Favours a specific product of a product supplier, where required to recommend more than one supplier to a customer; and/or
  - Giving preference to a specific product over other products of a product supplier.

## 20. **ROLES AND RESPONSIBILITIES:**

- 20.1 **Policy Sponsor:** General Manager: Enterprise Risk Management.
- 20.2 **Policy Owner:** FAIS Key Individual.
- 20.3 **Line Management:** Is responsible and accountable for the implementation of the requirements of this Policy.
- 20.4 **FAIS Compliance Officer:** Provides ongoing compliance services and monitors compliance with FAIS and other regulatory requirements applicable to TFR.
- 20.5 **Transnet Internal & External Audit:** Provides an independent auditing service and assurance to the TFR Executive Committee in terms of this Policy.
- 20.6 **Governance Structures:** The FSP has appropriate governance structures in place that require management to ensure conformance to this Policy.
- 20.7 **Representatives:** Representatives are mandated to provide an intermediary service to an existing or potential customer. All Representatives are salaried employees, and no other benefits are payable for intermediary services rendered.

## 21. **RELATED INFORMATION AND REFERENCE:**

This Policy should be read in conjunction with the following supporting guidelines:

**21.1 Internal Documents:**

- Transnet Declaration of Interest and Related Party Disclosure Policy.
- Transnet Gifts Policy.

**21.2 External Documents:**

- None.

**20.3 Regulatory Requirements:**

TFR recognises the importance of complying with all applicable regulatory requirements as reflected in the TFR Regulatory Universe. Specific reference is made to the:

- Financial Advisory and Intermediary Services Act No. 37 of 2002.
- Short Term Insurance Act No. 53 of 1998.

**22. FINANCIAL IMPLICATIONS:**

22.1 None.

**23. EXCLUSIONS:**

22.1 This Policy does not apply to non-FAIS Affected Staff.

**24. REQUEST TO DEVIATE FROM POLICY:**

24.1 In cases where material and compelling circumstances merit deviation(s) from particular provision(s) from this Policy, written submissions shall be sent to the Chief Executive, who shall in consultation with the FAIS Compliance Officer, have full authority to grant such request, in whole or in part, or to refuse same.

**25. COMPLIANCE MONITORING:**

25.1 The Policy will be reviewed every five years, unless a specific business need dictates otherwise.

**26. NON-COMPLIANCE:**

Breaches of this Policy will be seen in a very serious light. Key Individuals, Representatives and FAIS Affected Staff who do not conform to the Policy, may be subject to disciplinary action in terms of the applicable Transnet disciplinary processes and procedures.



The FSP may also be held liable for compensation for failure to conform to this Policy.

Avoidance, limitation or circumvention of this Policy through whatever means will also be seen as non-conformance.