

OMF FAIS Conflict of Interest Management Policy

WHY THE FAIS CONFLICT OF INTEREST MANAGEMENT POLICY?

- **WHY:** To ensure we avoid or control any conflict of interest situations that could negatively affect our customers.
- **WHO:** Because OMF is a registered FSP, it applies to OMF and all OMF employees. **Practically** it only affects those employees involved with the **OMART credit life** and **Money Account** products.
- **GUIDANCE:** Employees must follow the legislation and policy guidelines. Generally employees will comply with the policy if they stick to their script and refer customers to the representatives in the call centre where customers have questions or wish to replace policies.

Title	OMF FAIS Conflict of Interest Management Policy
Effective Date	Date of approval by OMF Board
Revision Date	31 July 2017
Approval Date	Date of approval by OMF Risk Committee : 24 th August 2017
Policy Owner	OMF Compliance

OUR FAIS CONFLICT OF INTEREST MANAGEMENT POLICY

This policy deals with conflicts of interest between Old Mutual Finance or its employees and our customers when rendering financial services to them in respect of financial product other than loans, such as the OMART credit life policy and the Money Account.

Employee means any permanent or temporary employee, director, officer, agent or independent contractor for Old Mutual Finance. The aim of the policy is make sure that we avoid or control any conflict of interest situations that could negatively affect our customers.

A conflict of interest is when an actual or potential interest may influence Old Mutual Finance or an employee to not act fairly, independently and objectively toward customers. .

All Old Mutual Finance employees must follow this policy, which is required by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (**FAIS Code**).

This policy is one part of our comprehensive framework aimed at ensuring that we follow all laws that apply to our industry. **Customers can get a copy of this policy from the Old Mutual Finance website or any Old Mutual Finance service branch.**

Old Mutual Finance also has a **Conflict of Interest Policy** that is different to this **FAIS Conflict of Interest Policy**. The **Conflict of Interest Policy** deals with conflict of interest between the Employer and the employee, directors, contractors, etc. in rendering the duties as contracted.

The Old Mutual Finance FAIS Conflict of Interest Policy sets out:

- [Aims and general duties of Old Mutual Finance and our employees](#)
- [Identifying, managing and disclosing conflicts of interest](#)
- [Duties of Management and Compliance Officers](#)

1. AIMS AND GENERAL DUTIES OF OLD MUTUAL FINANCE AND OUR EMPLOYEES

Old Mutual Finance has a duty to avoid, mitigate and disclose conflicts of interest

- 1.1 Old Mutual Finance and our employees have a duty to act in the customer's interests when we provide financial services to them. This includes remaining independent, objective and professional. It also involves avoiding conflicts of interest, or managing them if they cannot be avoided, and informing our customers about the conflicts that cannot be avoided.

This policy applies to all employees

- 1.2 If you are a permanent or temporary employee, a director, officer, agent or independent contractor for Old Mutual Finance, this policy applies to you.

You have a duty to know this policy and to report conflicts of interest

- 1.3 All employees have a duty to read and understand this policy. You also have a duty to be aware of potential and actual conflicts of interest and to report them if you are involved in them. If you suspect or know of a conflict of interest, you should report it, even if you are

not involved in it.

If you breach this policy, you may face disciplinary action

- 1.4 All employees must comply with this policy. If you do not, you may face a disciplinary enquiry or legal action that could result in dismissal or being debarred or removed from a position.

Management must develop conflict of interest guidelines for the business

- 1.5 It is the responsibility of senior management to set clear guidelines about what type of activities should be avoided.

Management and Key Individuals must be aware of conflicts of interest

- 1.6 It is the responsibility of Senior Managers and Key Individuals to be aware of all potential and actual conflicts of interest.

Our four lines of defence risk management model ensures that we comply with this policy

- 1.7 Conflicts of interest are a potential risk to our business and to our customers' interests. To manage this and other risks, we have put in place a comprehensive approach, called the four lines of defence. The first line of defence is for employees, including management, to understand their roles and responsibilities and build risk and management controls. The second is for management to provide a framework to manage governance and risk by defining policies and work practices, and to see that they are observed. The compliance framework and structure is central to this. The third is independent assurance of internal and external auditors, who evaluate if laws and policies are being observed. The fourth is complaints which we monitor and feedback into our activities/operations.

2. IDENTIFYING, MANAGING AND DISCLOSING CONFLICTS OF INTEREST

This section is for all employees of Old Mutual Finance

- 2.1 **There is the potential for a conflict of interest in any activity, relationship or process you are involved in. All employees, especially managers, need to be aware of this potential.**

Always try to avoid a conflict of interest

- 2.2 It is always best to avoid a conflict of interest situation. All employees, especially representatives, must avoid being in a position where there is a conflict of interest between your interests and the customer's.
- 2.3 The diagram below shows how Old Mutual Finance deals with conflicts of interest:



Step 1: Identify and report the conflict

2.4 Identify if you are serving the customer's interests

Before you provide financial services to any customer and during your relationship, you need to ask:

- Are my interests and those of the company aligned with the customer's needs?
- Am I acting independently, objectively and professionally towards the customer?
- Am I acting in the customer's interests, or mainly in my own interest or the company's or someone else's?

You are not acting in the customer's interests if you have an actual or potential interest that can prevent you from acting fairly, independently and objectively.

2.5 If you suspect a conflict of interest, you must report it

When you identify a conflict of interest, even if you are not sure if it is a conflict, you have a duty to report it first to the Compliance Officer, who will record it in the Conflict of Interest Register.

Refer to Appendix D: To report the conflict of interest

Step 2: Manage the conflict

2.6 The next step is for **Management, Key Individual** and the **Compliance Officer** to manage the conflict of interest by doing an evaluation and deciding on what steps to take.

2.7 The evaluation must include:

- a) if it is possible to avoid the conflict by ending it. If it is possible to end, what action has been taken to do so; or
- b) reasons why the conflict cannot be avoided, and
- c) what can and has been done to control the conflict. (These are called mitigating

measures), and

- d) how the mitigating measures will lessen the effects of the conflict on the customer, and
- e) what to tell customers about the conflict. (This is called disclosure), and
- f) when and how the customer will receive these disclosures.

Step 3a: Avoid the conflict

2.8 This step follows on the evaluation. If the evaluation found that it was possible for the conflict to be avoided by ending the situation, this should be done at this point.

Step 3b: Mitigate or control the conflict

2.9 If it is not possible to avoid a conflict of interest, it must be managed. Management working with Compliance Officers must develop:

- control measures to reduce any negative effect on the customer, and
- an appropriate system to inform customers about the conflict, its possible negative effects and what Old Mutual Finance has done to reduce the possible effects.

Rules about giving and receiving financial benefits

2.10 Old Mutual Finance sets limits regarding giving and receiving financial benefits from third parties, including product suppliers, financial services providers and any **associated companies**. The reason for these limits is to prevent you from influencing or being influenced in a business transaction by gifts or other benefits.

2.11 The rules apply to any Old Mutual Finance employee in connection with a product supplier, a financial services provider and any of their **associated companies**. If you are not sure if you may receive or give a gift or other benefit, ask your Compliance Officer.

2.12 The rules state that you may not give or receive a gift or any other benefit from a product supplier (i.e. OMART), a financial services provider with whom OMF is in a business relationship and any of their **associated companies**. You may, however, receive or spend up to R100 a time on incidental benefits incurred during normal business interactions. The yearly limit is R1000. In practice, it is fine to receive the odd light meal in the course of a meeting. OMF requires that all gifts are reported in terms of this Policy and the Conflict of Interest Policy.

2.13 You can get a copy of the Gifts Policy from the **Compliance Officer**.

Examples of financial interests or benefits

A financial interest or benefit is any advantage you receive as a result of your dealings, such as:

money	services	Share
vouchers	discounts	travel
more business	accommodation	sponsorship
gifts	entertainment	

An interest may also not be financial, but still benefits you, the company or another person.

Step 4: Disclose the conflict

2.14 The last step is to disclose the conflict to the customer in writing:

- what we have done to manage or mitigate the conflict
- details about any relationship with a third party that has caused the conflict of interest
- details about any 'ownership interest' or 'financial interest' Old Mutual Finance or an employee may have that would benefit the employee or company.

2.15 Our disclosures to customers must be meaningful for the customer, prominent and specific to each situation.

These are examples of conflicts that we should generally disclose to our customers"

- if you or an associated person have an interest in the financial product that you are giving advice about;
- if you or an associated person are related to the product supplier that you are giving advice about;
- if your remuneration is affected by product sales;
- who owns the financial services provider and product supplier.

3. DUTIES OF MANAGEMENT AND COMPLIANCE OFFICER

This section is for Managers and Compliance Officers. It sets out their duties regarding conflicts of interest in Old Mutual Finance.

Management has overall responsibility for this policy

Management must provide leadership and an example to all employees regarding conflict of interest issues.

You must establish control measures

You must make sure that you develop and put appropriate controls in place for the policy to operate effectively. These controls must help to identify, avoid, evaluate and control actual and potential conflicts.

You must make sure that Legal and Compliance have signed off on all product documents. You must sign the Conflict of Interest Register once a year.

You must monitor your controls

You must set up monitoring measures to make sure your controls are effective.

Your duties regarding employees

You must:

- communicate this policy to all your employees
- make sure that all employees observe it
- or disciplinary action

- take action if the policy is not observed. This could include correcting the problem

Your duties to customers

You must:

- develop and implement a system to disclose any conflicts of interest to the customer.

The disclosures must be in writing and sent to the customer as soon as possible

- make sure these disclosures have reached the customer
- make sure customers understand the content and the importance of the disclosures.

Compliance Officers must monitor controls and reporting

As the Compliance Officer, you are responsible for:

- making sure that the controls are being carried out and that accurate and relevant reports are submitted to Management
- making sure that the controls make it possible to comply with this policy and the FAIS Code of Conduct
- regularly reporting details of the controls in place, if they are being carried out and if they are being followed to ERCO and the Audit and Risk Committees
- reporting any situation where either this policy or the FAIS Code of Conduct was not observed. This must be part of the Compliance Monitoring Report reported to ERCO and the Audit and Risk Committee and, if necessary, the Regulator
- putting in place a Conflict of Interest Register
- keeping records of all identified and reported conflicts in the Conflict of Interest Register, and showing how the company controlled and monitored compliance.

Management and Compliance Officers must work together

There are joint responsibilities for Management and Compliance Officers. These are:

- evaluating potential and actual conflicts of interest
- working out the best ways to ensure that monitoring complies with the FAIS Code of Conduct
- agreeing on how and when to report on its monitoring activities
- reviewing the reports regularly.

The Compliance Officer must review and report on the conflict of interests management policy

The Compliance Officer has a legal responsibility to:

- review the policy each year
- make sure the Board approves any changes
- report on Old Mutual Finance's conflict of interest management policy to the FAIS registrar in the regular FAIS report.

APPENDIX A - REPRESENTATIVE INCENTIVISATION

The Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS) requires Old Mutual Finance to give information on how our different categories of representatives qualify for a financial interest.

Old Mutual Finance is a registered credit provider. The National Credit Act (**NCA**) permits a credit provider to require a particular credit insurance policy or other credit insurance acceptable to the credit provider as a loan condition. In terms of the NCA, Old Mutual Finance proposes credit life insurance cover under a group policy which Old Mutual Finance (as insured) holds with Old Mutual Alternative Risk Transfer.

Old Mutual Finance's consultants and representatives are not authorized to sell or give advice about any other credit life insurance product.

OMF accepts other credit insurance policies where provided at the time of conclusion of the loan contract if the protection provided to OMF if it at least meet the requirements of the National Credit Act.

Old Mutual Finance also offers the Money Account product to its customers but only offers this product by providing factual product information and no advice.

Old Mutual Finance is not offered and does not receive any commission or fees on the sales of the OMART credit life cover.

All bonuses and incentives offered to representatives are based on a range of criteria, and not designed to give preference to the quantity of business secured with the exclusion of quality or to give preference to a specific product supplier or product over another.

APPENDIX B - CODE DEFINITIONS

We have included the following definitions from the Code of Conduct to the Financial Advisory and Intermediates Services (FAIS) Act that are relevant to Old Mutual Finance Conflict of Interest Policy.

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,-

- (a) influence the objective performance of his, her or its obligations to that client; or
- (b) 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 –
 - (i) a financial interest;
 - (ii) an ownership interest;
 - (iii) any relationship with a third party

Key Individual

“**key individual**”, in relation to an authorised financial services provider, or a representative, carrying on business as -

a corporate or unincorporated body, a trust or a partnership, means any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service; or...

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

Third party

A “**third party**” is -

- (a) a product supplier;
- (b) another FSP;
- (c) an associate of a product supplier or an FSP;
- (d) a distribution channel; or
- (e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to an FSP or its Representatives.

APPENDIX C - ASSOCIATED COMPANIES

The Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS) requires Old Mutual Finance to include a list of all our associated companies and our ownership interests in them.

Associates:

Old Mutual Finance is a subsidiary of the Business Doctor Consortium and Old Mutual Capital Holding (Pty) Ltd:

Old Mutual Capital Holding (Pty) Ltd	75%
Business Doctor Consortium Limited	18.46%
Business Doctor Nominees (Pty) Limited	6.54%

Old Mutual Capital Holding (Pty) Ltd is a subsidiary of Old Mutual (South Africa) Ltd. A list of relevant Old Mutual associates may be found on the Old Mutual Website.

Ownership interests:

Old Mutual Finance holds a preference share in Old Mutual Alternative Risk Transfer Ltd.

APPENDIX D - HOW TO REPORT A CONFLICT OF INTEREST

Report any conflict of interest by sending an email to: NCF2@oldmutual.com; or OMFEthics@oldmutual.com

GIFTS

All gifts must be reported on EVEREST, irrespective the value. If you aren't sure, clear it with the OMF Compliance Officer by sending an email to NCF2@oldmutual.com; or OMFEthics@oldmutual.com.