



EA CAPITAL

CONFLICT OF INTEREST
MANAGEMENT POLICY

FSP 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 FSPs to adopt these changes into their Conflict of Interest Policy, that related processes and procedures be updated and staff training is updated.

Step 1: Determine which parts of the policy are applicable to your FSP by determining if your FSP does or does not have representatives. If your FSP does not have representatives then you do not have to adopt the sections of this policy which are applicable to representatives but keep in mind that it is still applicable to you as the FSP.

Step 2: The Key Individual or Responsible person must:

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

Step 3: Customised Conflict of Interest Policy to be signed off by the FSP.

Step 4: FSP must share the updated policy with staff or other persons who require updated training for Conflict of Interest.

Step 5: 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.

TABLE OF CONTENTS

1	INTRODUCTION	4
2	PURPOSE	4
3	SCOPE OF APPLICATION	4
4	CONTROLLING CONFLICTS OF INTEREST	6
5	UNDERSTANDING CONFLICT OF INTEREST	6
6	PROCESSES AND INTERNAL CONTROLS TO MANAGE CONFLICT OF INTEREST	8
	ANNEXURE A – LIST OF ASSOCIATES.....	11
	ANNEXURE B - THIRD PARTIES IN WHICH EA CAPITAL HOLDS AN OWNERSHIP INTEREST	11
	ANNEXURE C - THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN EA CAPITAL.....	13
	ANNEXURE D - MASTER REGISTER OF INTERESTS.....	14
	ANNEXURE E - GIFTS REGISTRY	14
	ANNEXURE F – ADDITIONAL DEFINITIONS.....	15

1 Introduction

- 1.1 In terms of the Financial Advisory and Intermediary Services Act, 2002, EA Capital (Pty) Ltd (“the FSP”) 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

- 2.1 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 the FSP 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.
- 2.2 The FSP is committed to ensuring that all business is conducted in accordance with good business practice. To this end, the FSP conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimize and manage all real and potential conflicts of interests. Like any financial services provider, the FSP 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:
- 2.2.1 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;
 - 2.2.2 we have established appropriate structures and systems to manage those conflicts; and
 - 2.2.3 we will maintain systems in an effort to prevent damage to our clients’ interests through identified conflict of interest.
- 2.3 To achieve the objectives set out above, this policy sets out the rules, principles and standards of the FSPs COI management procedures, by documenting them in a clear and understandable format.

3 Scope of application

- 3.1 This policy is applicable to the FSP, all providers of the FSP, key individuals, representatives, associates and administrative personnel. The FSP is committed to ensuring compliance with this policy and the processes will be monitored on an ongoing basis.
- 3.2 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.
- 3.3 Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.
- 3.4 EA Capital (Pty) Ltd is an authorised financial services provider (FSP number 49425) in terms of Section 8 of the FAIS Act. A copy of our license certificate is available on request. Our physical address is Office 201, 2nd Floor, Cape Quarter Square, 2 Somerset Road Greenpoint Cape Town, 8000.
- 3.5 The FSCA has duly authorised the key individuals and representatives, as they appear in the accompanying and embedded document entitled EA Capital - Key Individual & Representative, to render financial services as defined in terms of the FAIS Act in respect of the financial products listed in the aforementioned document.

Category Description	Advice Non-automated	Intermediary Other
CATEGORY I		
Shares	X	X
Money market instruments	X	X
Debentures and securitised debt	X	X
Warrants, certificates and other instruments	X	X
Bonds	X	X
Derivative instruments	X	X
Participatory interests in a collective investment scheme	X	X

- 3.6 Senior Management have primary responsibility for identifying, recording and managing conflicts of interest. They will be assisted in the management of conflict-of-interest situations by the Compliance Officer.
- 3.7 The acceptance of new clients should be subject to Senior Management approval. In considering the acceptance of new clients:
- 3.7.1 Senior Management will consider the existence of a conflict of interests in relation to the new client, and if conflict is found to exist, will determine (together with the Compliance Officer, as applicable) how the conflict should be managed.
- 3.7.2 Where no conflicts are identified the client may be taken on, subject to satisfactory anti-money laundering and other due diligence requirements being met.
- 3.8 Where EA Capital cannot take on the new client, the prospective client should be advised of this fact promptly and an offer should be made to refer the prospective client to an alternative firm.
- 3.9 Senior Management together with the Compliance Officer will assess the seriousness of identified possible conflicts, and will determine how the conflict should be managed. Typically, this can involve:
- 3.9.1 Whether current disclosures constitute adequate management;
- 3.9.2 What further disclosures would constitute adequate management; and
- 3.9.3 Whether or not disclosure alone can adequately manage the conflict. Where it cannot, how the conflict should be avoided, or a decision made whether the conflict should be referred for prompt board consideration.
- 3.10 Where there is a complaint received about a failure by EA Capital or its Representatives to disclose a relevant interest, the complaint should immediately be sent to the Compliance Officer for evaluation and response in conjunction with Senior Management.
- 3.11 The conflicts of interest procedures and their efficacy in operation will be reviewed by Senior Management, in conjunction with the Compliance Officer, at least on an annual basis

- 3.12 In order to ensure proper corporate governance and transparency, relevant employees are required to declare any private interests that might affect the performance of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared in the Register of Interests.
- 3.13 It is each affected employee's responsibility to inform the Compliance Officer of any relevant changes as they occur and to register their interests in the Register.
- 3.14 Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the Compliance Officer and/or senior management.

4 Controlling Conflicts of Interest

- 4.1 If it is decided to proceed the conflict can be normally managed by a combination of internal controls and appropriate disclosures. Depending on the circumstances and the nature of any given conflict, it may be appropriate to:
 - 4.1.1 Disclose the conflict of interest to the client;
 - 4.1.2 Allocate another Representative to provide the service to the client;
 - 4.1.3 Decline to provide a service to the client; and
 - 4.1.4 Initiate internal/external disciplinary action (referring matter to the Regulator for instance) where warranted. What constitutes an appropriate response to a given conflict of interest will always depend on the circumstances and facts of the case.
- 4.2 In the event of a conflict of interest being identified and avoidance of this conflict of interest is not possible, the Compliance Officer must be advised of the reasons therefore and what measures the business will implement to mitigate such conflict of interest. The measure to mitigate will include disclosure to clients.

5 Understanding Conflict of Interest

- 5.1 When is it a Conflict of Interest?
 - 5.1.1 A COI means any situation in which the FSP or one of our representatives has an actual or potential interest that may, in rendering a financial service to our clients -
 - 5.1.1.1 influence the objective performance of obligations to that client; or
 - 5.1.1.2 prevents us from rendering an unbiased and fair financial service, or
 - 5.1.1.3 prevents us from acting in the interests of that client.
- 5.2 An "actual or potential interest" includes but is not limited to:
 - 5.2.1 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
 - 5.2.2 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.

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.

- 5.2.3 Any **relationship with a third party**, meaning any relationship with a product supplier, other FSP's, an associate of a product supplier or an associate of the FSP. A third party also includes any other person who, in terms of an agreement or arrangement, provides a financial interest to the FSP or its representatives.
- 5.2.4 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 –
 - 5.2.4.1 a provider who is a sole proprietor; or
 - 5.2.4.2 a representative for that representative's direct benefit;
 - 5.2.4.3 a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;

5.3 What type of interest may we Give and Receive?²

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

- 5.3.1 Commission as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
- 5.3.2 Fees as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
- 5.3.3 "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.
- 5.3.4 Fees or remuneration for services that were rendered to a third party.
- 5.3.5 An immaterial financial interest.
- 5.3.6 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.

5.4 On what basis may the we Give and Receive Financial Interests?

The financial interest referred in Section 5 may only be offered or received by the FSP or it's representatives, if:

- 5.4.1 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, and:
 - 5.4.2 The payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing the same service.
 - 5.4.3 Any actual or potential conflicts between the interests of clients and the interests of the person receiving those financial interests are effectively mitigated; and

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.

- 5.4.4 The payment of those financial interests does not impede the delivery of fair outcomes to clients.
- 5.5 Financial Interests for Representatives of the FSP
The FSP may not offer any financial interest to a representative of that FSP –
 - 5.5.1 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.
 - 5.5.2 For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client.
 - 5.5.3 That is determined with reference to the quantity of business, without also giving due regard to the delivery of fair outcomes for clients.
- 5.6 In relation to delivery of fair outcomes for clients, the FSP must demonstrate that a determination of a representative's entitlement to a financial interest, considers measurable indicators, relating to the:
 - 5.6.1 Achievement of minimum service level standards in respect of clients;
 - 5.6.2 Delivery of fair outcomes for clients; and
 - 5.6.3 Quality of the representative's compliance with the FAIS Act.
- 5.7 The measurable indicators are agreed in writing between the FSP 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 the FSP over the fair treatment of clients.
- 5.8 The FSP 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.
- 5.9 The way in which the FSP remunerates its representatives and complies with these requirements, is set out in section 6 of this policy.

6 Processes and Internal Controls to manage Conflict of Interest

- 6.1 Identification of Conflict of Interest
 - 6.1.1 To adequately manage COI, the FSP must identify all relevant conflicts timeously. In determining whether there is or may be a COI to which the policy applies, the FSP considers whether there is a material risk of unfair treatment or bias for the client, taking into account whether the FSP or its representative, associate or employee:
 - 6.1.1.1 is likely to make a financial gain, or to avoid a financial loss, at the expenses of the client:
 - 6.1.1.2 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;
 - 6.1.1.3 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; and
 - 6.1.1.4 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

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.

services, other than the legislated commission or reasonable fee for that service.

- 6.1.2 Our policy defines possible conflict of interest or examples of conflict of interest as, inter alia, -
 - 6.1.2.1 Any rebate, retrocession or related payment whereby remuneration benefits are paid by product suppliers or Discretionary Financial Services Providers to EA Capital;
 - 6.1.2.2 Personal account dealing/staff trading – which is dealt with in terms of EA Capitals Personal Account Dealing policy; and
 - 6.1.2.3 Holding confidential information on clients which, if EA Capital were to disclose or use, would affect the services provided to clients.
 - 6.1.3 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.
- 6.2 Measures for avoidance and mitigation of Conflict of Interest
- 6.2.1 To ensure that the FSP can identify, avoid and mitigate COI situations, the FSP creates awareness and knowledge of applicable stipulations, through training and educational material. Where a COI situation cannot be avoided, these instances are recorded on the FSP's conflict of interest register.
 - 6.2.2 The FSP ensures the understanding and adoption of the FSP's conflict of interest policy and management measures by all employees, representatives and associates through training on the COI policy.
 - 6.2.3 The Key Individual and Senior Management 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.
- 6.3 Measures for mandatory disclosure of Conflict of Interest
- 6.3.1 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.
 - 6.3.2 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.
- 6.4 Ongoing monitoring of Conflict of Interest Management
- 6.4.1 The Key Individual or Senior Management in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters. The FSP will conduct *ad hoc* checks on business transactions to ensure the policy has been complied with.

- 6.4.2 The Compliance Officer will include monitoring of the Conflict-of-Interest policy as part of his/her general monitoring duties and will report thereon in the annual compliance report.
 - 6.4.3 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 FSP. The Compliance practice functions objectively and sufficiently independently of the FSP and monitors the process, procedures and policies that the FSP has adopted to avoid conflicts of interest.
- 6.5 Training and Staff
- 6.5.1 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.
 - 6.5.2 Training will be incorporated as part of all new appointees' induction. Ongoing and refresher training on the FSP's Conflict of Interest management processes and policy is provided on an annual basis.
- 6.6 Registers and Annexures
- 6.6.1 LIST OF ASSOCIATES Refer Annexure A.
 - 6.6.2 THIRD PARTIES IN WHICH EA CAPITAL HOLDS AN OWNERSHIP INTEREST Refer Annexure B.
 - 6.6.3 THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN EA CAPITAL Refer Annexure C.
 - 6.6.4 MASTER REGISTER OF INTERESTS: Refer Annexure D.
 - 6.6.5 GIFTS REGISTRY: Refer Annexure E.
 - 6.6.6 ADDITIONAL DEFINITIONS - Refer Annexure F.

ANNEXURE A – LIST OF ASSOCIATES

Associates Name	Type of Relationship
None	

ANNEXURE B - THIRD PARTIES IN WHICH EA CAPITAL HOLDS AN OWNERSHIP INTEREST

Name of 3rd party in which the FSP holds an ownership interest:	Nature and extent of ownership interest
None	

ANNEXURE C - THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN EA CAPITAL

Name of 3rd party that holds an ownership interest in the FSP:	Nature and extent of ownership interest:
None	

ANNEXURE D - MASTER REGISTER OF INTERESTS

Description of conflict	Individual names	Date referred to Compliance	Approved / Declined	Reason for decline	Reason for approval	Update

ANNEXURE – E: GIFTS REGISTRY

Individual	Date and reason	From whom	Description	Value	Approved / Declines

ANNEXURE F – 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;
 - (iv) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
 - (v) 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–
 - had such first-mentioned juristic person been a company; or
 - 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 FSP.

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–
 - potential or actual loss of any benefit including any form of income, or part thereof; or
 - 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.