

Conflict of Interest Policy

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Version: 1

SALTLIGHT
CAPITAL

POLICY ON CONFLICT OF INTEREST

FSP name: SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD

FSP number: 48286

1. Introduction

In terms of the Financial Advisory and Intermediary Services Act, 2002, *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* 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. *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients. The key information is summarised below. Detailed information can be obtained on request from the provider, compliance officer or key individual who is responsible to monitor and manage conflict of interest on behalf of *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD*

2. Our objectives

SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD is an authorized financial services provider. Like any financial services provider, *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* 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.

3. Conflict of interest

SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD strives towards ensuring it is able to appropriately and effectively identify and manage potential conflicts. It may manage potential conflicts through avoidance, establishing confidentiality barriers and by providing appropriate disclosure of the conflict to affected clients.

In determining whether there is or may be a conflict of interest to which the policy applies, *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* considers whether there is a material risk of damage to the client, taking into account whether *SALT LIGHT*

CAPITAL MANAGEMENT (PTY) LTD or a *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* 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.

Our policy defines possible conflicts of interest as, *inter alia*:

- conflicts of interest between *SALT LIGHT CAPITAL MANAGEMENT (PTY) LTD* and the client;
- conflicts of interest between our clients if we are acting for different clients and the different interests conflict materially;
- conflicts of interest where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client;
- holding confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients.

4. Management

Specific monetary measures we focus on:

- we may only receive commissions authorized in terms of applicable legislation; or
- fees authorized in terms of applicable legislation, or fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered; or
- fees for the rendering of a service in respect of which commission or fees above is not paid, if those fees are specifically agreed to by a client in writing and may be stopped at discretion of the client; or
- a limited immaterial financial interest as defined; or
- a financial interest for a consideration or fair value that is reasonably commensurate to the value of the financial interest that is paid by the provider or representative at time of receipt thereof.

We will not offer any financial interest to any representative for –

- giving preference to the quantity of business secured for the provider to the exclusion of quality service;



- giving preference to a specific product supplier where more than one supplier can be recommended to a client;
- giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

The measures *SALTLIGHT CAPITAL MANAGEMENT (PTY) LTD* have adopted to manage identified conflicts are further summarized below. We consider them appropriate to our efforts to take reasonable care that, in relation to each identified potential conflict of interest, we act impartially to avoid a material risk of harming clients' interests.

- Procedures:

We have adopted appropriate procedures throughout our business to manage potential conflict of interest. Our representatives, associates and employees receive guidance and training in these procedures and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with our conflict of interest policy.

- Confidentiality barriers:

Our representatives, associates and employees respect the confidentiality of client information and disclose or use it with circumspect. No such information may be disclosed to a third party without the written consent of a client.

- Monitoring:

The key individual or compliance officer in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed annually

- Disclosure:

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.

- Publication:

We will publish our conflict of interest management policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times.

- Report:

The provider, compliance officer or key individual will include a report on the conflict of interest management policy in the annual compliance report submitted to the Registrar.

- Declining to act:



We may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

5. Particular management measures

- Identification of conflict of interest:
 - create awareness and knowledge of applicable stipulations of the General Code of Conduct and relevant legislation relating to conflict of interest, through training and educational material;
- Avoidance of conflict of interest:
 - ensure understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates;
 - do regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance;
 - keep a register of conflict of interest.

- List of associates:

Name	Relationship
SaltLight Capital (Pty) Ltd	Advisor
Virtocom Interactive CC	Service provider

- Ownership interests in third parties:

Name	Nature of interest	Extent of interest
Virtocom Interactive CC	Owned by same shareholder	Same group of companies

- Third parties with ownership interest in provider:

Name	Nature of interest	Extent of interest
NA		

GUIDANCE NOTES IN RESPECT OF REPRESENTATIVES UNDER SUPERVISION

To be read in conjunction with Board Notice 104, 106 & 151 of 2008

Basic requirements

The Act demands that an FSP only appoint representatives that are fully compliant from an experience and qualification perspective. If not always practical an exemption exists

that allows representatives to work under supervision of one or more key individuals or suitably qualified representatives until such time as the incoming representative has;

- Completed the minimum experience requirements as per the attached Table A, AND
- Completed the required qualification (OR credit levels for representatives appointed for the 1st time during 2008 or 2009 or after 2010)
- AND
- Completed ALL the required Regulatory exams – levels 1 and 2

This supervision process cannot exceed a period of 6 years from the date first appointed as a representative into a FAIS role

Supervision agreement

There must be a written agreement, which may or may not form part of the employer's processes and/or contract, that details the procedures regarding the rendering of services under supervision. See annexure: checklist and evidence tool

NB 1: Supervision can apply to key individuals who are also acting as representatives.

NB 2: Qualifications and Regulatory exams need not be done and form part of the supervision for any representative appointed during 2008 or 2009 that have not completed their minimum experience required by 31/12/2009

NB 3: So what happens if an FSP employs a representative who has yet to complete their qualifications and or regulatory exams? The date of first appointment remains with the representative irrespective where the representative was employed when 1st appointed so the balance of their maximum 6 year period when you employ them applies. For example a representative is employed who is 3 years into their supervision process and not yet completed their qualification and/or Regulatory exams they must continue to be under supervision for the balance of their 6 years.

NB4: Only registered Key Individuals will be responsible for Supervising and can act as a Supervisor

Practical considerations for the FSP

The first aspect is that any FSP that provides representatives with the opportunity to render financial services under supervision must satisfy the Registrar, that it;

- has the operational ability to provide such services under supervision; and
- has a key individual that meets the same requirements as will be demanded of the representative or another competent representative act as supervisor.
- If you do not have the practical ability to supervise you cannot appoint someone as a representative in need of supervision.
And in addition they must;
- indicate on the representative register whether the representative is acting under supervision, and the date of appointment

- Differentiate on the representative register between representatives that are acting under supervision and those that meet all the requirements and are not acting under supervision.

NB: This will be managed by the FSP and Compliance Officer under normal circumstances

- Issue a representative a mandate letter that signifies their supervision status and
- Disclosure to the client

Supervisor rules

Selection of the supervisor

The financial services provider must ensure that the normal working relationship between the supervisee and supervisor allows the supervisor oversight of the activities performed by the supervisee as per agreement, and that there is regular contact that enables the transfer of skills, which may include face-to-face and/or contact via electronic means, between the supervisee and supervisor in the execution of their duties.

The Key Individual must make sure that there is no conflict of interest between the supervisee and Himself/herself and or any bias interaction

Ideally a supervisor must have completed and meet the relevant requirements regarding experience and qualification and at least passed the first level regulatory examination in relation to the specific Categories or subcategories before the supervisor is allowed to act as a supervisor for a specific Category or subcategory **however** Supervisors that were acting as supervisors prior to 31 December 2010 can continue acting as supervisors in terms of the transitional arrangements in the relevant Board Notice 104.

Duties of the Supervisors:

- ensure that supervisees are supervised at all times when executing their duties in terms of the supervisory arrangement and that the supervisee signed the agreement
- ensure that the supervisee has a good understanding of and exposure to the Categories and/or subcategories in which he or she is providing financial services;
- observe selected meetings between the supervisee and customers, the frequency of which may vary according to the complexity of the service that is provided; and/or the complexity of the products offered; and/or the experience of the supervisee; and/or the qualifications of the supervisee;
- ensure that the supervisor is able to provide properly documented evidence of the supervision actions undertaken, including methodology and frequency, and such evidence must be available for scrutiny by the Registrar
- assess the advice given by the supervisee for appropriateness based on a review of the analysis conducted and the record of the advice as provided for in terms of the

General Code of Conduct, and ensure that the FSP takes the necessary action to protect the client where it is found that the supervisee's actions may not have been in the

- interest of the client
- The client not being treated fairly
- The client's right as consumer was not protected
- Supervisees are expected to obtain experience across the subcategories in respect of which they are appointed as a representative.

Should this prove to be problematic during the minimum period under supervision due to business reasons, the financial services provider/supervisor should make arrangements to either

- place the supervisee in a position where he or she can gain experience in the specific subcategory; or
- extend the period under supervision to ensure that the supervisee receives sufficient exposure to the specific subcategory, provided that the maximum period under supervision of six (6) years is not exceeded.

Supervisee rules

The following rules apply to the period a representative acts under supervision:

1. The supervision period is linked to the Category or subcategory i.e.the relevant minimum and maximum periods commence on the date the representative is appointed to render services in relation to the specific Category or subcategory
2. The maximum period any representative can act under supervision in any Category or subcategory, is six (6) years from date of first appointment as a representative;
3. Representatives who give advice and/or render intermediary services in respect of multiple Categories or subcategories can gain the experience at the same time, and will remain under supervision until the experience requirements for the most onerous Category or subcategory is met;
4. Any significant interruption during six (6) consecutive weeks (or longer) e.g. maternity leave, prolonged illness, while gaining experience must be compensated for by arranging for an additional period under supervision, equal to the period interrupted.
5. The supervisee must have properly documented evidence of the supervision, the method followed and frequency thereof that took place during the period under supervision.

In addition the Supervisees must:

- adhere to the requirements and agreed deadline of the supervision contract;
- provide the supervisor upon request, where applicable, with any records and or documents regarding the advice given and/or intermediary services rendered;
- disclose to clients that he or she is acting under supervision;
- actively pursue the completion of the required qualifying criteria within the prescribed time limits;

- undertake the relevant product training; and
- Request guidance from the supervisor if in doubt when performing any duties in relation to the supervision contract.

How is supervision to be carried out?

There are two specific types of supervision;

1. Direct Supervision – this is the MINIMUM supervision standards that are applied during the first months of supervision. This supervision must take place at least weekly but could as much as daily – it is for the supervisor to set the required standards, As can be expected this level of supervision is far more intense given that the representative will be new to the job. The time periods during which direct supervision must take place differ from one licence category to another. See Table B
2. Ongoing supervision – after the initial Direct supervision period the balance of the overall supervision period must be conducted under a supervision program that has actual supervision taking place at least on a bi monthly – monthly basis.

It should be remembered that these are minimum standards and each representative and/or task may demand higher standards or time frames being applied.

Supervision may include one or more of the following activities:

- Sign-off by a supervisor on the advice given to a client;
- Pre-transaction sign-off by a supervisor where intermediary services are rendered;
- Attending meetings with supervisee and clients where the purpose of the meeting is the rendering of financial services;
- Appropriate post transaction sampling;
- Follow-up calls to clients after the rendering of financial services by the supervisee to confirm certain aspects of the interaction with the client;
- any other activity that enables the supervisor to scrutinise the activities of the supervisee in respect of rendering of financial services.

As previously stated both the supervisor and supervisee must have properly documented evidence of the supervision, the method followed and frequency thereof that took place during the period under supervision.

The supervision Processes and performance Reviews

Whilst there is no compulsion to have the supervision process as part of a performance management system it is wise to do so as the supervision process will provide most if not all of the data required to effectively conduct a performance review for a representative under



supervision. And if this is the case then the supervision agreement and/or the employment contract should make this clear.

the formal performance review system will be implemented and will measure the ability to adequately track the development of all staff, be they under supervision or not, as they move through the various levels of ongoing formal qualifications, regulatory exams and Continuous professional development.