

PERFICIENT BROKERS PTY LTD

CONFLICT OF INTEREST AND TRANSPARENT DISCLOSURE OF FEES POLICY

Perficient Brokers is an authorized Financial Service Provider, FAIS License number 53587. Salome Viljoen is a key individual of the FSP and as such participates in the decision-making and management of the organization.

The FSP is authorized to render advisory and intermediary services for the following categories of products:

Category 1 - Subcategory A, B1 and B2

- Long-term Insurance: Subcategory A
- Short-term Insurance: Personal Lines Plus A1
- Long-term Insurance subcategory B1
- Long-term Insurance subcategory B2
- Long-term Insurance subcategory B2-A
- Long-term Insurance: Subcategory B1 A
- Long-term Insurance subcategory A1
- Long-term Insurance: Subcategory C
- Retail Pension Benefits
- Short-term Insurance: Commercial Lines
- Pension Funds Benefits
- Participatory interests in a collective investment scheme

POLICY STATEMENT:

The Conflict of Interest and Transparent Disclosure of Fees Policy and Procedure has been formulated in terms of the General Code to the Financial Advisory and Intermediary Services Act (Act 37 of 2002) and described in more detail in Board Notice 58 of 2010 issued by the Financial Services Board.

The General Code of Conduct for Financial Services Providers requires financial services providers and their representatives to disclose to their clients the existence of actual or potential conflicts of interest.

There needs to be a common understanding of what constitutes a conflict of interest, which direct and indirect benefits need to be disclosed to consumers and how to disclose it. All providers require efficient conflict management policies to ensure that there is no unfair treatment of consumers or rendering of inappropriate financial services by providers. Disclosure of direct and indirect benefits needs to be made in a consistent and transparent manner. Providers should avoid vague and inadequate disclosures.

CONFLICT OF INTEREST MANAGEMENT FRAMEWORK:

1. Definitions
2. Conflict of interest principles
3. Conflict of interest policy process
4. Allocation of responsibilities
5. Non-cash incentives decision tree
6. Indirect benefits not required to be disclosed
7. Non-cash incentives not permitted
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9. Benefits permitted, with no requirement to disclose
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12. Rebates and related payment

1. DEFINITIONS

“domestic” means within the Republic of South Africa.

“international” means outside the borders of the Republic of South Africa.

“material benefits” are any forms of non-cash incentives or benefits that are R1, 000 or more in value for any single item or part thereof, including benefits that are passed to the spouse, partner, family member, business associate or employee of a provider or provider’s representative by a product supplier; and also includes such non-cash incentives or benefits that amount to more than R3, 000 per natural person from a single product supplier over any calendar year.

“product supplier” includes collectively:

- the related, holding and subsidiary companies of the product supplier;
- companies in which the product supplier holds a percentage of shares which on its own or together with the percentage holding of other product suppliers, gives the product supplier or group of product suppliers as the case may be, effective control of such company; and
- companies within the same group; and
- another any other financial services provider that act similar capacity as a product supplier (e.g. discretionary and administrative FSPs).

2. CONFLICT OF INTEREST PRINCIPLES

- i) Underlying principles

- i. In the financial services industry, conflicts of interest can be described as “circumstances where some/all of the interests of clients to whom an FSP renders financial services are inconsistent with/ diverge from, some/all of the interests of the provider or its representatives”.
 - ii. Adequate conflict management helps to minimise the potential impact of conflicts of interests on clients. Without this, FSPs whose interests conflict with those of the client are more likely to take advantage of that client in a way that may harm that client and diminish confidence in the provider and the industry
 - iii. Adequate conflict management should also help an FSP to ensure that the quality of their financial services is not significantly compromised by conflicts of interest, situations that may arise in normal course of its business.
 - iv. While it is conceded that all potential conflicts of interest do not necessarily manifest themselves into actual conflicts, it is submitted that the very perception of bias is a negative one, and carries a negative impression of the industry.
 - v. Conflict of interest management needs to be addressed in order to enhance the levels of professionalism and perceived professionalism of the financial services industry; disclosure on its own is not always adequate. Management of conflicts as well as transparent, effective disclosure needs to be achieved.
 - vi. The same disclosure and avoidance of conflict of interest requirements should be simultaneously applied to all competing product types to avoid both inconsistency and the situation where less regulated industries profit at the expense of those whose practices have been curtailed.
- ii) The FAIS legislation already requires an FSP to disclose conflicts of interest to its clients. The general code currently requires an FSP to disclose to the client the existence “of any circumstance which gives rise to an actual or potential conflict of interest, and take all reasonable steps to ensure fair treatment of the client”. Non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to the provider could be viewed as a potential conflict of interest”.
- iii) Disclosure of direct and indirect benefits is to be made to consumers in a consistent or transparent manner across the industry. Non-cash incentives and other benefits are to be disclosed in a manner, which is not vague and/or inadequate.
- iv) Taking “all reasonable steps to ensure fair treatment of the client” means avoiding conflicts wherever possible, and managing and disclosing conflicts where avoidance is not possible or where conflicts may be perceived but not necessarily exist (and therefore avoidance is not necessary, but full disclosure allows a potential client to decide whether in his view, a conflict situation may indeed be biasing advice).
- v) The tendency of the industry to reinvent incentives schemes to induce or benefit FSPs where prohibitions have been introduced should be seen in a serious light and communicated to all relevant parties.
- vi) Senior management should comply with the following:

- Be fully engaged in all aspect of conflict identification.
- Take on a holistic approach in the entity's conflict management.
- Review the performance of conflict mitigation.
- Have policies and practises in place for compensation and training and the organisational culture should support conflict management and mitigation.

The standardisation of the conflict management policy will bring about a consistent manner of dealing with and disclosing conflicts.

Conflicts of interest will be a serious concern of product suppliers in the design and offering of rewards, and will be a serious concern of intermediaries in the decision to accept rewards. As a result, *consumers will be exposed to fewer conflict situations*, and where there are conflicts, these will have been clearly disclosed.

The conflict management policy is to be implemented and understood by everybody in the organisation and monitored on an ongoing basis. This is to be confirmed in writing.

Conflict of interest management can be categorised in the following four categories:

- a) receiving non-cash incentives and benefits that are viewed as inconsequential benefits i.e. small promotional items reasonable entertainment in the course of business relationships and gifts to prescribed maximum and subject to disclosure in public register.
- b) receiving non-cash incentives and benefits that are viewed as undesirable inducements, which may not be received or offered.
- c) receiving non-cash incentives and the benefits that are viewed as educational
- d) the avoidance and or management of other indirect conflict of interest situations and structures. this includes but is not limited to the following:
 - I. conflicts where advisors are part of large financial institution where the institution has a financial interest in investments endorsed by the advisor, e.g. a private client advisor in the wealth management division of a large institution may advise clients to apply for new share issues that another business in the large institution is underwriting.
 - II. conflicts that may arise where entities in the same group of companies act in an independent advisory capacity as well as in the capacity of product supplier.

3. CONFLICT OF INTEREST POLICY PROCESS

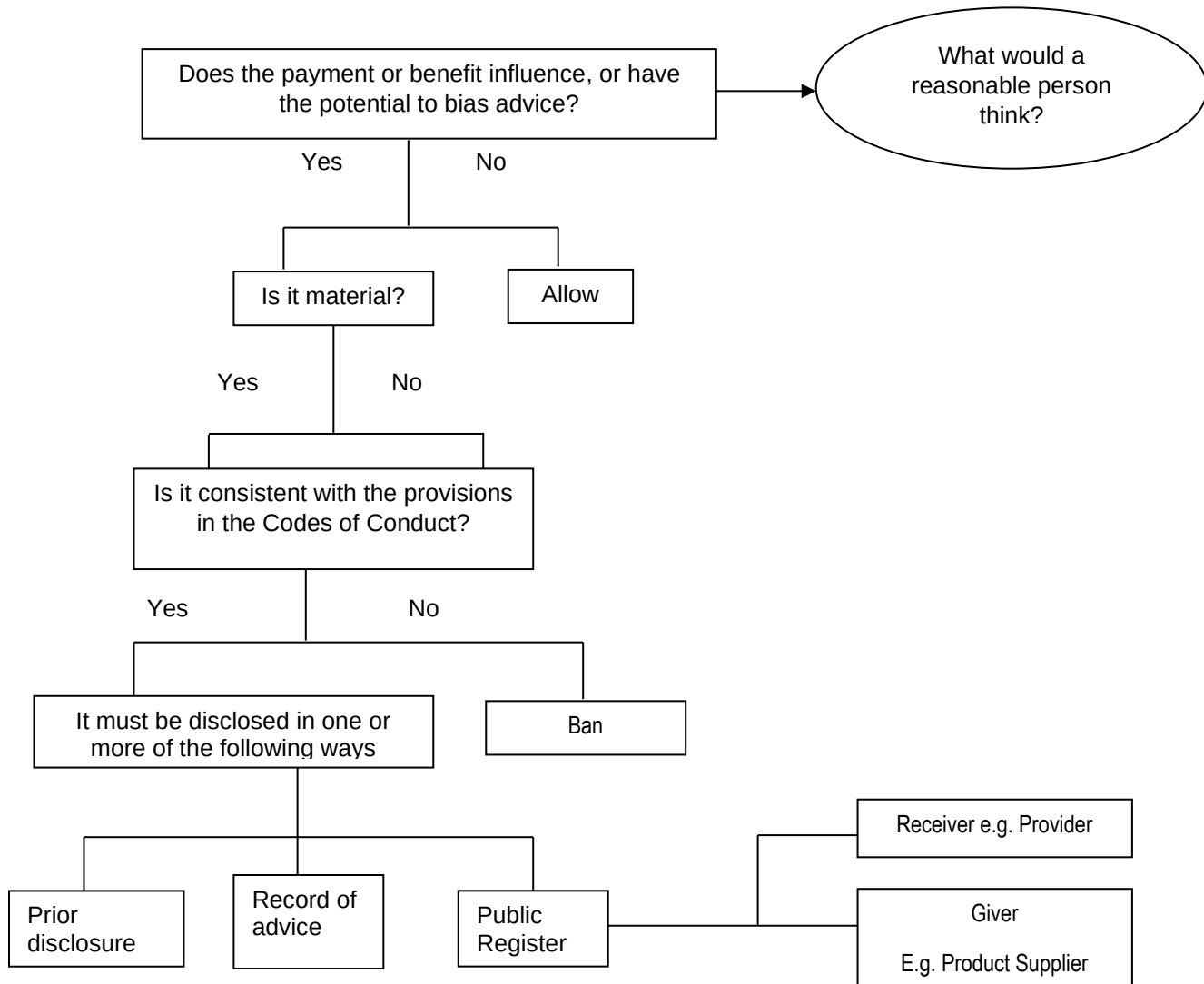
Provisions in terms of the management of conflict of interest policy include:

- i) The allocation of responsibility for the identification and management of conflict of interest to an accountable person;
- ii) The formalisation of the policy and approval by controlling body of FSP;
- iii) This policy has been accepted as part of the general risk management of the business;
- iv) This policy shall be reviewed annually;
- v) The policy should be holistic and must not solely concentrate on remuneration issues;
- vi) Identify appropriate process and/or controls that will identify compliance with the policy;
- vii) The policy shall be audited and controlled in the following way:
 - a) The responsible person shall check the register and ensure that it is updated on at least a monthly basis
 - b) All benefits or gifts shall be declared to the responsible person, who shall make a decision as to which category it falls under, prior to the acceptance of such gift
- viii) Provide for regular review of conflict of interest policy preferably by external party;
- ix) Provide for incorporation of training and adherence of employees to the policy;
- x) The document shall form part of the employment contract and induction training of all employees; and
- xi) Where a financial service provider or its representatives receive educational benefits, the following must be recorded in a register:
 - a) name of the giver;
 - b) date;
 - c) details of the inconsequential or educational benefit; and
 - d) amount or value of the benefit.

4. ALLOCATION OF RESPONSIBILITIES

For this FSP, the responsible person shall be Salome Viljoen. The individual will ensure that the conflict of interest of policy process is adhered to.

5. NON-CASH INCENTIVES DECISION TREE



7. INDIRECT BENEFITS NOT REQUIRED TO BE DISCLOSED

Reasonable indirect benefits, which are not required to be disclosed:

- i) Joint marketing exercises - generic product literature, “freepost” envelopes for forwarding applications, product specific literature, draft articles, news items and financial promotion’s for publication in another firm’s magazine
- ii) Seminars and conferences - may take part and participate in seminar organised third party if the participation is for genuine business purpose, the contribution is reasonable
- iii) Technical services and information technology
- iv) Training - training facilities and lectures, venue and written material
- v) Travel and accommodation expenses - attend national events, participate in training, visit a product supplier’s office to receive information on their administration systems
- vi) May receive gifts - hospitality or promotional competition prizes if the receiving of this indirect benefit does not give a rise to a conflict.

8. NON-CASH INCENTIVES NOT PERMITTED

- i) International “incentive trips”, educational or professional development conferences, accommodation and travel arrangements with which financial services providers and/or their representatives are rewarded by a product supplier or another FSP
- ii) Domestic “incentive trips”, educational or professional development conferences, accommodation and travel arrangements with which financial services providers and/or their representatives are rewarded *exclusively for the volume of business placed*
- iii) Sponsorships by product suppliers for financial services providers and/or their representatives to attend and/or hold international conferences.
- iv) Cash or gift vouchers over the amount of R3,000, especially if not put through the business books;

9. NON-CASH INCENTIVES PERMITTED, BUT MUST BE DISCLOSED BY BOTH THE GIVER AND RECEIVER

- i) Entertainment, tickets for sporting and other events with a value over R1000.00 per person per single item,
- ii)

- iii) Domestic educational or professional development conferences, accommodation and travel arrangements that are awarded to the provider using selection criteria that are not partially or exclusively based on sales volumes, including any part payment towards the costs
- iv) Sponsorship of domestic provider events, including conferences, by a product supplier, which includes the purchasing of advertising and promotional space,
- v) Accommodation and travel costs where the provider is invited as a speaker at a domestic conference/professional development event held by a product supplier, including any part payment towards the costs,
- vi) Shareholdings, equity entitlements, sales quota obligations or performance fee entitlements that they, or an entity in which they have an interest, have in the product suppliers of the products or administrative financial services providers that the provider and/or its representatives recommend to clients;
- vii) The fact that during the preceding 12 month period, the provider received more than 30% of total remuneration, including commission from a product supplier;
- viii) Where a provider markets or gives advice in respect of the products of more than one product supplier, if representatives of such provider are rewarded in any way that could be perceived to bias advice in favour of one product supplier over another

10. BENEFITS PERMITTED, WITH NO REQUIREMENT TO DISCLOSE

- i) Computer software linked to a product supplier's products, such as a product-linked advice tool.
- ii) Benefits that are not material and are not in the form of cash or gift vouchers.
- iii) Professional development conferences/courses that:
 - a. The conference may be for no longer than three days and two nights
 - b. The professional development must account for at least 4 hours per day.
 - c. Flights and other forms of transport must be domestic only
 - d. The location of the conference/ course must be domestic.

Acceptance by an FSP of non-cash incentives that are prohibited should result in severe penalties and/or the loss of the FSP license. Penalties in the case of non-disclosure of an item, a fine equal to the value of the non-cash incentive and disciplinary action

11. NON-CASH INCENTIVES REGISTER

- i) Receivers of non-cash incentives will maintain the register. In terms of receivers, the register will be kept in relation to payments and benefits received by financial services providers in respect of themselves and their representatives.
- ii) The register will contain details of date, type of non-cash incentive/s or indirect benefit/s, value of benefit and the name of the giver and the receiver.
- iii) The register will be available for inspection on request by any person requesting it. A copy of the register is to be provided within 7 days of written request.
- iv) The client is to be informed in writing at the commencement of the transaction of full details as to where and how the register may be obtained.
- v) The register is to be updated on at least a monthly basis.
- vi) Each FSP must appoint a designated person within the organisation whose duties will include monitoring adherence to the requirement to keep the register, updating the register and dealing with requests for the register.
- vii) The compliance officer must monitor and report on the maintenance of the register.

12. TRANSPARENT DISCLOSURE

There is a requirement to adequately and transparently disclose all types of fees that are earned by financial services providers.

It is becoming of increasing concern that the legal requirement for full disclosure of all fees and commissions is, in some quarters, being responded to by the development of complex, “opaque” fee structures, which are neither simple to disclose nor simple to understand.

Rebates and related payments within the financial services industry need consideration.

Clients understand the differences between the different fee and commission scenarios, which need to be clearly differentiated and transparently disclosed. Consumers should know how much they are paying – directly and indirectly, and to whom – and for which financial services. An agreement between FSP’s and clients that stipulate the extent of the financial services and what fees the provider will receive and for what period of time becomes mandatory.

Disclosure of performance fees needs to be fully addressed. The sharing of performance fees with intermediaries should also be disclosed.

Fees, commissions and any other money-based remuneration or benefit must be fully disclosed upfront. In addition, where it is not possible to disclose an exact amount, or annual, ongoing percentage fees are to be paid, once the exact amount is known it must be disclosed - by way of a statement send to clients within prescribed period.

13. REBATES AND RELATED PAYMENTS

Fee “rebates” passed should be clearly defined and transparently disclosed

Prior to transacting, all entities in the value chain need to be identified, for example: cis manager, investment manager/s, multi-manager, lisp, distribution network and intermediary. The total percentage fee (both initial and ongoing) must be disclosed upfront and this must then be broken down into the portion allocated to each party in the value chain.

The same principles of disclosure apply to reporting after the investor has transacted. The entities in the value chain need to be identified, including any fee-sharing arrangements, and at this stage, the actual rand-value charges need to be reflected for both initial and ongoing charges. This disclosure must be made in periodic (not less frequent than annual) statements of account.

Fee “rebates” passed between collective investment scheme management companies and administrative and discretionary FSP’s (and “ordinary” category I FSP’s in certain cases) should be clearly defined and transparently disclosed – by the party making the payment in some cases.

Standard definitions, terminology and manner of disclosure should be prescribed in the case of rebates.

The FSP does not deal in Collective investment schemes currently and therefore no rebates are applicable.