

## **CONFLICT OF INTEREST POLICY**

Applicable to:	Seraphim Financial Services (Pty) Ltd
FSP Number:	49407
LEI:	894500BST0FYEQBT7307
Approved by:	Wade Bothwell (Director)
Effective date:	17 November 2017
Review frequency:	Annually

In this document 'company' and Seraphim refers to Seraphim Financial Services (Pty) Ltd.

## 1 Background

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Seraphim Financial Services (Pty) Ltd is a Private Company that was registered in South Africa on 15 November 2017.

Seraphim's core business is electronic based, that is, a unique offering of web-based trade negotiation platforms fully customised to suit the clients' specific needs. Seraphim does not take deposits from clients, nor does it manage, invest or hold funds on behalf of clients. Seraphim merely facilitates the negotiation of markets and pricing levels between highly skilled and experienced market participants.

Section 3A(2)(a) of the General Code of Conduct stipulates that every provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act. The policy is to provide for mechanisms in place at Seraphim to identify, mitigate and manage the conflicts of interest to which Seraphim is a party. This Conflict of Interest Management Policy is designed as prescribed in Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives published in Board Notice 80 of 2003, as amended by Board Notice 43 of 2008.

## 2 Objective of the Policy

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This Conflict of Interest Management Policy does not change our existing conflict of management procedures but intends to document them in simple form as required by the Financial Sector Conduct Authority (FSCA).

In terms of the Financial Advisory and Intermediary Services Act, 2002, Seraphim 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. Seraphim has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients.

All providers, key individuals, representatives, associates and administrative personnel will commit to such policy and the processes will be monitored on an ongoing basis.

Seraphim keeps and maintains a register in which all actual or potential conflicts are recorded.



### 3 Mission Statement on Conflict of Interest

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Seraphim is committed to ensuring that all business is conducted in accordance with good business practice. To this end Seraphim conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests.

Like any financial services provider, Seraphim 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 to prevent damage to our clients' interests through identified conflict of interest.

### 4 Understanding the Definitions

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#### Conflict of Interest

A conflict of interest may occur when in rendering a financial service to you we do not act objectively or do not render an unbiased or fair service to you or do not act in your interests, including but not limited to:

- a) A financial interest
- b) An ownership interest
- c) Any relationship with a third party.

#### A Financial Interest

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) other than:

- a) An ownership interest
- b) Training, that is not exclusively available to a selected group of providers or representatives, on:
  - i. Products and legal matters relating to those products;
  - ii. General financial and industry information;
  - iii. Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.



### **An Ownership Interest**

- (i) any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee;
- (ii) includes any dividend, profit share or similar benefit derived from such interest.

### **Fair Value**

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

## **5 What May We Give and Receive**

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We confirm that we will only receive financial interest from the aforesaid providers in the form of:

- (i) Commission authorized under the Long-term Insurance Act, 52 of 1998;
- (ii) Commission authorized under the Short-term Insurance Act, 53 of 1998;
- (iii) Commission authorized under the Medical Schemes Act, 131 of 1998;
- (iv) Fees under the aforesaid acts if these fees are reasonably commensurate to the service being rendered;
- (v) Fees for rendering a financial service in respect of which no commission or fees are paid as aforesaid, if those fees are specifically agreed to by you in writing and may be stopped at your discretion;
- (vi) Fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;
- (vii) Subject to any other law, an immaterial financial interest;
- (viii) A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid at the time of receipt thereof.



## 6 Remuneration Policy

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The Remuneration Policy addresses remuneration on a company wide basis and is one of the key components of the HR strategy, both of which fully support the overall business strategy. The main functions of the Remuneration Policy are to:

- support Seraphim's strategy by helping to build a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees;
- promote the achievement of strategic objectives within the company's risk appetite;
- promote / support positive outcomes across the economic and social context in which the company operates and
- promote an ethical culture and responsible corporate citizenship.

Seraphim's employees are remunerated by way of a Guaranteed Remuneration and a Short-Term Incentive (STI).

### Guaranteed Remuneration/Package

#### a) Key Objective

- The key objective is to provide the base element of remuneration that reflects the person's role/position in Seraphim and is payable for doing the expected job.

#### b) Structure

- Guaranteed remuneration is paid monthly on a Cost to Company basis
- Guaranteed remuneration is set at a level which is aligned to expected operational performance.

### Short-Term Incentives (STI)

#### a) Key Objective

The key objective is to create a performance culture by rewarding individuals/teams for achieving strong annual results.

#### b) Structure

- The STIs are payable semi-annually in June and December.
- The STI is based on a performance balanced scorecard where the Seraphim performance targets are set in terms of threshold, target and outperformance levels.
- The measurement period for assessing performance against the scorecard is normally a period of 6 months.
- The scorecard is reviewed and revised targets are set on an annual basis.
- Individual incentives (performance bonuses) are based on the agreed output with each individual at the beginning of the performance period. Individual bonus allocations also depend on the performance of the company as a whole.

Note: Seraphim does not obtain more than 30% of revenue from any one client, product or service provider.



## 7 Processes and Internal Controls

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### Identification of Conflict of Interest

To adequately manage conflicts of interest we must identify all relevant conflicts timeously. In determining whether there is or may be a conflict of interest to which the policy applies, Seraphim considers whether there is a material risk of damage to the client, taking into account whether Seraphim or its 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 Seraphim 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;
- storing confidential information on clients which, if we would disclose or use, would affect the advice or services provided to clients. We may only receive commissions authorised in terms of applicable legislation.

All employees, including 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 and act impartially to avoid a material risk of harming clients' interests.



## 8 Measurement for Avoidance and Mitigation of Conflict of Interests

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Seraphim creates 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, thereby ensuring understanding and adoption of conflict of interest policy and management measures by all employees, representatives and associates.

Seraphim conducts regular inspections on all commissions, remuneration, fees and financial interests proposed or received in order to avoid non-compliance.

Seraphim keeps a register of conflict of interest.

Once a conflict of interest has been identified it needs to be appropriately and adequately managed.

The Key Individual 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.

### 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

Seraphim 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. Our COI policy is available in hard copy, provided on the client's request. An electronic version is available on Seraphim's website.

### Declining to Act

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



## **9 Ongoing Monitoring of Conflict of Interest Management**

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This policy will be reviewed annually and is included in Seraphim's annual FSCA compliance report.

Wade Bothwell (key individual) will be responsible for supervision and monitoring of this policy as well as the process to be followed e.g. inspection of new business transactions, client interviews, discussion with product providers, etc. The key individual in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters.

## **10 Training and Staff**

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All employees and representatives are required to read Board Notice 58 of 2010 as well as this policy and to sign a statement to the effect that they have done so and fully understand the provisions of both documents and the application thereof.

Comprehensive training on the Conflict of Interest policy will be provided to all employees and representatives as part of specific and/or general training on the FAIS Act. Training will be incorporated as part of all new appointees' induction and refresher training provided on an annual basis.

The Key Individual, Wade Bothwell, will conduct ad hoc checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his general monitoring duties and will report thereon in the annual compliance report.

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.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

This policy shall be reviewed annually and updated if applicable.





## 11 Representative Incentives

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Seraphim confirms the company will not offer any financial interest to our key individuals or representatives for:

- i. favouring quantity of business over quality of service; or
- ii. giving preference to a specific product supplier where more than one supplier can be recommended to a client; or
- iii. giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

## 12 Registers

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Seraphim confirms that the company does not have any other ownership interests or is subject to exclusive training nor are there any other circumstances which could lead to a potential conflict of interest.

Should any conflicts arise prior to entering into any business transaction with you Seraphim undertakes to make a full disclosure within the Registers of Financial Interests, Ownership Interests and Business Relationships, detailing:

1. The Nature and Extent of Ownership interests
2. Financial Interest Received
3. Nature and Extent of Business Relationships
4. Associations



SERAPHIM FINANCIAL SERVICES (PTY) LTD

FSP Number: 49407

17 November 2017

Dear Client

Seraphim Financial Services (Pty) Ltd believes in open, honest and transparent interactions with our clients. In the course of our business activities, situations may arise whereby we may become entitled to certain financial interests supplied by external parties in addition to the commission that we earn or the fees that we charge.

Seraphim takes pride therein that our services are objective and free of external influence, but wish to disclose to you, our valued client, that we have received the following financial interests and wish to disclose the value and the reason for receiving the financial interests.

Seraphim does not believe that the financial interests received constitute a conflict of interest but would gladly address any concerns you may have. Please refer to Annexure 1 to this register for a complete list.

Seraphim may also enjoy a preferred status with one or more of the product supplier companies with whom we hold contracts. This status allows us and our customers certain benefits when dealing with these providers.

Similarly, Seraphim makes every effort to ensure that our services are not influenced by our status with any one product supplier but believe that disclosure of these business relationships and the benefits they include, allow you to make informed decisions. Please refer to Annexure 2 for complete details of these business relationships.

In accordance with the General Code of Conduct for Financial Services Intermediaries we are required to disclose any ownership interest we may have in external parties. These are contained in Annexure 3.



## Annexure 1

### Financial Interest Received

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) other than –

- a) An ownership interest;
- b) Training, that is not exclusively available to a selected group of providers or representatives, on –
  - i. Products and legal matters relating to those products;
  - ii. General financial and industry information;
  - iii. Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

Description	Date Received	From	Reason	Value
None				

## Annexure 2

### Business Relationship

Company	Nature of Relationship	Status	Benefits
Investec Bank Ltd	Prime Broking Services	Active	Safex Clearing (Paid for services)



## Annexure 3

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### Ownership Interest

Any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person. This includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

Company Name	Percentage Ownership	Date Obtained
None		

