



<b>Version:</b>	4.0
<b>Date Created:</b>	19 April 2011
<b>Author:</b>	Reshma Kassie
<b>Primary Custodian:</b>	Reshma Kassie
<b>Category:</b>	FAIS Conflict of Interest Management Policy
<b>Document Nr:</b>	CO-COI-01
<b>Date Revised:</b>	
<b>Revised by:</b>	
<b>Date Approved:</b>	EXCO: 5 May 2011 Board: 24 June 2011

## Approval

The signatories hereof, being duly authorised thereto, by their signatures hereto authorise the implementation of the documented business policy.

	Date
Approved by Board	24 June 2011
Approved by EXCO	5 May 2011
Compliance Officer	19 April 2011

### *ENFORCEMENT OF POLICY*

Management shall:

- enforce this policy
- apply it consistently
- communicate it clearly to all employees
- ensure that breaches will be dealt with in terms of the company's disciplinary code and procedure

Employees who are uncertain about what to do in any situation shall seek guidance from a line manager

## **OVERVIEW:**

Al Baraka Bank Limited is committed to ensuring that customers are treated fairly and in compliance with dignity and professionalism.

The Bank expects all Employees, Managers, Executives, Directors and associates to share in this commitment.

## **Conflict Of Interest Management Policy**

### **1. Purpose**

The purpose of this document is to enhance and formalise a Conflict of Interest Management Policy in line with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) General Code of Conduct that will benefit staff and clients alike.

### **2. Revocation**

This Conflict of Interest Management Policy revokes and replaces all previous Conflicts of Interest Policies in terms of FAIS.

### **3. Definitions**

3.1. "Conflict of interest" refers to any situation in which a provider or 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 him/her from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client, including, but not limited to -

- (i) A financial interest;
- (ii) An ownership interest;
- (iii) Any relationship with a third party;

3.2. "Financial interest" means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, 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;

3.2.1 An "ownership interest" includes: any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee and any dividend, profit share or similar benefit derived from such interest.

- 3.3. “Immaterial financial interest” means 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 -
- (a) A provider who is a sole proprietor; or
  - (b) A representative for that representative’s direct benefit;
  - (c) A provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;

#### 4. Preamble

Albaraka Bank Ltd places a high priority on its clients’ interests. As conflicts of interest affecting clients could undermine the integrity and professionalism of our business, any instances must be identified as soon as possible. If conflict situations cannot be avoided, they must be managed equitably and in the clients’ interest. Detecting potential or recognised conflicts of interest that could compromise the interest of its clients and managing and limiting the impact of conflicts of interest, could therefore constitute an integral part of our duties and obligations.

#### 5. Conflict of Interest

- 5.1. A conflict of interest is a situation in which the interests of Albaraka Bank or of its associates, in the exercise of its activities, and the

interests of its clients, are directly or indirectly in competition, and which could significantly prejudice the clients' interests. It may be recognised (actually identified) or potential (conceivable).

5.2 The notion of conflict of interest encompasses a range of very diverse factors such as:

- rules regarding personal transactions;
- professional ethics of employees;
- the use of sensitive or privileged information and professional secrecy;
- respect for clients' interests;
- respect of professional obligations in relation to the market and specific to Albaraka Bank Ltd.

## 6. What is a Conflict of Interest Situation?

6.1 Conflict of interest situations that could prejudice a client may take a variety of forms, whether or not the Bank suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional.

6.2.1 Bearing in mind that the Bank will, in the normal course of its business, seek to realise a financial gain or avoid a potential loss, at least five types of situation are defined by the Bank to help determine whether a potential conflict of interest situation might occur:

- The Bank, a department or an employee will realise a financial gain or avoid a potential loss at the client's expense;
- The interest of the Bank, a department or an employee may be different from the client's interest;
- The Bank or an employee exercises the same professional activity as the client;

- The Bank, a department or an employee is induced to favour one client over another (whether for financial reasons or otherwise);

## 7. Conflicts of interest: Prevention, detection and management

7.1 This policy is based on a system of prevention, detection, management, communication and recording of conflicts of interest.

7.2 This policy governs how to handle potential or actual conflict of interests' situations by implementing procedures to enable appropriate management of the situation in order to avoid damaging the interests of the client in question.

7.3 The Bank must avoid and where this is not possible, mitigate any conflict of interest between the provider and a client or the representative and a client.

7.4 The Bank must immediately disclose in writing to a client any conflict of interest in respect of that client, including the measures taken, to avoid or mitigate the conflict; any ownership interest or financial interest, other than an immaterial financial interest, that the provider or representative may be or become eligible for; the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest; and inform a client of this conflict of interest management policy and how it may be accessed.

7.5 This conflicts management framework document is available to all clients upon request.

7.6 Training will be provided to staff.

## **8. Detection**

A regular of recognised and potential conflicts of interest will be maintained by management recording any conflicts of interest and identifying the types of situations generating the said conflicts and the associated risks.

## **9. Board Meetings**

9.1 Conflicts of interest will become a standing agenda item for Board meetings.

## **10. Disclosure of Affiliations, Disclosure of Interests and Control Measures**

10.1 In order to ensure proper corporate governance, and the accountability and transparency of our organisation, relevant persons are required to declare any private interests that might affect the carrying out of their duties.

10.2 They are also required to take steps to resolve any conflicts that arise in a manner that protects the public interest. To fulfill this requirement, any relevant interests must be declared on the Register of interests.

10.3 These are personal or business interests that might influence their judgment, deliberation or action as employees of the financial services provider, or which might be perceived by a reasonable member of the public as doing so.



## 11. Declaration of interests

- 11.1 The disclosure of interests to be completed by the Bank, key individuals in the financial services business and the members of the management board.
- 11.2 In order to ensure proper governance, the accountability and transparency of the bank, relevant persons are required to declare any private interests that might affect the carrying out of their duties. The key persons will also be required to take steps to resolve any conflicts that arise in a way that protects the clients of the bank. To fulfill these duties, any relevant interests must be declared on the Register of Interests (Form )
- 11.3 The defining purpose of this disclosure is to be able to provide information to clients about the relevant interests of the bank and the Key Individuals.  
These are personal or business interests that might influence their judgment, deliberation or action, or which might be perceived by a 'client' as doing so.
- 11.4 Relevant parties must consider whether they need to disclose personal involvement with persons or organisations which clients might reasonably think could influence their judgment.
- 11.5 Any interest which comes to light should be declared prior to discussion at a Management meeting. It should take place irrespective of whether the interest has already been recorded in the register.
- 11.6 Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the Compliance officer.

- 11.7 The interest disclosure should be intended as a record available to clients on request. All material conflicts of interest should however be disclosed to affected clients.
- 11.8 It is each person's responsibility to inform the internal person responsible for conflicts of interest, including the compliance department, of any relevant changes as they occur and to register their interests in the register provided.
- 11.9 The disclosure will be reviewed on an annual basis by the Conflicts Officer.
- 11.10 Where there is a complaint received about a failure of the bank to disclose a relevant interest, the complaint should immediately be sent to the compliance department for evaluation and response.

## **12. Financial Interests**

The Human Resources Department should ensure that the financial interest is noted in the employee's declaration of financial interest.

## **13. Financial Interest that may be received**

- 13.1 The Bank may only receive or offer the following financial interest from or to a third party:

13.1.1 Fees authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998), the Short-term Insurance Act, 1998 (Act No. 53 of 1998) or the Medical Schemes Act, 1998 (Act No. 131 of 1998), if those fees are reasonably commensurate to a service being rendered;

13.1.1 Fees for the rendering of a financial service in respect of which commission or fees referred to in the above mentioned Acts is not paid, if those fees -

- Are specifically agreed to by a client in writing;
- May be stopped at the discretion of that client;

13.1.2 Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered;

13.1.3 An immaterial financial interest (subject to any other law) ; and

13.1.4 A financial interest, not referred to under subparagraph 16.1.1 to 16.1.4, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

13.2 The Bank may not offer any financial interest to a representative of the Bank for giving preference to the quantity of business secured for the Bank to the exclusion of the quality of the service rendered to clients; or giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or 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.

13.3 To ensure compliance with this policy, the following internal procedures shall be set up:

13.3.1. This policy shall be adopted by EXCO; and thereafter the Board of

Directors;

- 13.3.2. The policy shall thereafter be published for the attention of all staff, and be placed on the Sharepoint and the company website for clients and staff to access alike;
- 13.3.3. Staff shall be trained on the provisions of the policy;
- 13.3.4. Key Individuals will conduct ad hoc checks on business transactions to ensure that the policy has been complied with; further monitoring will be conducted by the Internal Control Officers and the Compliance department;
- 13.3.5 The Compliance Officer will report on compliance with the policy to EXCO and Board, as well as in the Annual Report.

13.4 Non compliance will be subject to disciplinary measures in terms of FAIS and employment conditions, and can ultimately result in debarment or dismissal as applicable.

13.5 Avoidance, limitation or circumvention of this policy via an associate will be deemed non compliance and will lead to disciplinary action.

#### **14. Review**

This policy is a living document and as such will be reviewed from time to time.