



STATE STREET

**State Street**  
**Financial Advisory and Intermediary Services (FAIS) Act**  
**CONFLICTS OF INTEREST MANAGEMENT POLICY**

Review Cycle: -      Annual
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<u>Approved by:</u>	
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SS EXCO	14 June 2012
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Name	Date

Effective Date: 28 May 2012	Version: 3
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## Background

In light of the Financial Advisory and Intermediary Services (FAIS) Act Conflicts of Interest regulations, a review of all current controls and procedures in terms of managing conflicts of interest was necessary.

The amendment to the FAIS General Code of Conduct for Financial Services Providers and representatives sets out provisions regarding the treatment of Conflicts of Interest.

The general principles of the new regulations provide as follows:

- Financial Services Providers (FSPs), must avoid, and where this is not possible, mitigate conflicts of interest.
- All actual or potential conflicts of interest in respect of a client must be disclosed to that client in writing. This must include the disclosure of all ownership or financial interests (excluding immaterial financial interests) that the FSP or representative has or is eligible for, and the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest

## Objective

This document details the State Street (SS) FAIS Conflict of Interest policy and the control documents referred herein will form an integral part of the SS conflicts management framework. This policy should be read in conjunction with the **relevant service line/ entity specific Conflicts of Interest Policy** (e.g. GS UKMEA COI Policy, SSGM EMEA Conflicts of Interest Guidelines and Procedures, SSSA Conflicts of Interest Procedures) for managing potential conflicts (See Annexure A).

The SS FAIS Conflict of Interest Policy applies to SS as a licensed financial services provider. All staff members acting on behalf of SS in this capacity are subject to this policy and in particular the approved key individuals and registered representatives of SS.

Employees have a duty to act in the client's interests when we give advice or provide intermediary services to them. This includes remaining independent, objective and professional. Conflicts of interest must be avoided and if they cannot be avoided clients must be informed about the conflicts that cannot be avoided.

A short summary of this policy is included in the "Letter of Introduction" document, issued and explained to clients at the beginning of the sales process.

## Applicability and Scope

*Note that this document applies to any entity and its (FSB) regulated persons who conduct business or service clients in South Africa.*

### What is a FAIS Conflict of Interest and when may it arise?

A conflict of interest may arise where SS, or one of its employees, is providing a financial service to its clients and may entail a material risk of damage to those client's interests, and whether SS or its employee:

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- 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, or group of clients, over the interests of the client;
- Carries on the same business as the client; or
- 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 standard commission or fee for that service.

## Definitions

*The FAIS General Code of Conduct and the FAIS Act Board Notice 58 of 2010 can be consulted for detailed definitions of terms. The following key definitions are provided for clarification:*

**Conflict of interest** means any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to: a client either:

- influence the objective performance of his, her or its obligations to that client; or
- prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to financial interest, an ownership interest or any relationship with a third party”

**Associate** is defined, in the case of a company, as “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.”

A **third party** is –

- a product supplier
- another FSP
- an associate of a product supplier or an FSP
- a distribution channel
- any person, who in terms of an agreement or arrangement with a person referred to above, provides a financial interest to an FSP or its representatives

**Financial interest: “fi”** 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) specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;

**Ownership interest “OI”** means –

- (a) any equity or ownership interest, for which fair value was paid by the owner, other than equity or an ownership interest held as an approved nominee on behalf of another person; and
- (b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

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***Immaterial financial interest***” means any financial interest with a determinable monetary value, **the aggregate of which does not exceed R1 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...”

## **Responsibilities - Conflict of Interest management policy framework controls and procedures**

### **Role of compliance**

The Business aligned Compliance Team is in a position to assist management in facilitating the handling of any identified conflict relating to SS. This may involve assessing and evaluating the conflict, and decide upon, and implement, an appropriate response to the conflict.

The Business aligned Compliance Team will together with management manage the conflict of interest by doing an evaluation and deciding on what steps to take as outlined in the role of Management below.

The Business aligned Compliance Team must ensure conflict-monitoring procedures are in place to ensure that any non-compliance with the SS conflicts management arrangements are identified and appropriately acted on.

As part of the conflict arrangements the Business aligned Compliance Team will include measures such as meeting with affected staff as appropriate, conduct periodic reviews of the business operation and conduct periodic reviews of client files and other appropriate documentation. Monitor of all conflicts documentation will be conducted as part of the SS compliance monitoring programme.

### **Role of SS employees**

All employees of SS are obliged to be aware of and to report actual, perceived or potential conflicts of interest (see procedures below for senior management). The failure of employees to comply with this policy and/or to notify management of the potential conflict of interest may result in disciplinary action being taken against the affected individual/s.

All employees, especially representatives, must avoid being in a position where there is a conflict of interest between your interests and the customer’s.

Before you provide financial services to any customer and during your relationship, you must ensure that:

- Your interests and those of the company are aligned with the customer’s needs.
- You are acting independently, objectively and professionally towards the customer.
- You are acting in the customer’s interests and not mainly in your own interest or the company’s or someone else’s interest.

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When you identify a conflict of interest, even if you are not sure if it is a conflict, you have a duty to report it first, as outlined, to the Business aligned Compliance Team.

### **Role of Senior Management**

- Business Unit Management and/or Senior Management are responsible for overseeing the effective execution of the obligations herein and for taking consistent decisions in relation to how any potential or actual conflict of interest is identified and managed.

Those individuals responsible for the oversight of the effective execution of the obligations herein have responsibilities to implement appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within their organizations.

It is the responsibility of senior management to implement conflicts management policies, procedures and controls to manage conflicts effectively.

Management together with the Business aligned Compliance Team must manage an identified conflict of interest by doing an evaluation and deciding on what steps to take, by considering:

- if it is possible to avoid the conflict by ending it. If it is possible to end, what action has been taken to do so
- reasons why the conflict cannot be avoided
- what can and has been done to control the conflict
- how the mitigating measures (to control the conflict) will lessen the effects of the conflict on the customer
- how to disclose the conflict to the client

Senior Managers working together with the Business aligned Compliance Team must in addition develop control measures to reduce any negative effect clients and appropriate system to inform clients about the conflict, its possible negative effects and what has been done to reduce the possible effects.

### **Disclosure of affiliations, disclosure of interests and control measures**

In order to ensure proper corporate governance, and the accountability and transparency of SS key individuals, directors and representatives are required to declare any private interests that might affect the carrying out of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest.

Conflicts of interest control measures

- The disclosure of interests must be completed by SS members of the management board, appointed key individuals and representatives.
- All relevant persons are required to declare any private interests that might affect the carrying out of their duties and will also be required to take steps to resolve any conflicts that arise in a way that protects the clients of SS.

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- The defining purpose of this disclosure is to be able to provide information to clients about the relevant interests of SS and the relevant persons. These are personal or business interests that might influence their judgement, deliberation or action, or which might be perceived by a ‘client’ as doing so.
- Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the SS Compliance Officer.
- 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.

These disclosures should be made according to the SS Conflict of Interest Procedures on:

- 1) appointment of relevant persons (key individuals, representatives and directors) ;
- 2) annually to ensure compliance with this policy.

Refer to Annexure B for disclosure template.

### **Policy ownership & maintenance**

The Business aligned Compliance Team owns this policy and is responsible for its review and maintenance. The Business aligned Compliance Team is responsible for maintaining and updating this Policy. Where and when appropriate, updates to this Policy will be made accordingly. A full review of this Policy shall be performed no less than on an annual basis.

#### Conflict of Interest Register (see Annexure A)

The SS Conflicts of Interest Register is maintained by the SS Business aligned Compliance Team. The SS Conflicts of Interest Register contains all actual and potential conflicts across all areas of SS and is used as a tool to identify conflicts of interest at the earliest possible stage, so that they can be appropriately managed and monitored.

SS Compliance and Senior Management are responsible for the “Conflicts Register”, its accuracy, review and update on an on-going basis which shall be no less than bi-annually. **Please note that the register is a matter of public record and copies can be made available on request.**

### **How we manage FAIS Conflicts of Interest**

The following are examples of conflicts of interest and how we manage these conflicts:

#### **Contracts, proposed contracts and similar transactions or arrangements**

A conflict of interest may arise where an employee has a direct or indirect interest in a transaction. This may be where the employee has a connection with the other party to the transaction, or where the employee’s family has a connection. The connection may be from a directorship, significant shareholding, employment or consultancy.

SS requires disclosure of any connection which could, or could be seen to have the effect of compromising the judgment of any of our employees. Employees are required to notify the Business

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aligned Compliance Team of any such potential conflicts of interest, who will then decide if the employee can be involved in the transaction.

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### **Acceptable financial interest**

In terms of Section 3A(1) of the General Code of Conduct, SS and its Representatives may only receive or offer the following financial interest from or to a third party:

- Commission or fees authorised under the Long-term Insurance Act, where applicable. Fees payable must be reasonably commensurate to the service being rendered;
- Fees for the rendering of a financial service if those fees are specifically agreed to by a client. In writing and may be stopped at discretion of the client;
- Fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered;
- An immaterial financial interest as defined;
- A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest is paid by SS or the Representative at the time of receipt thereof.

### **Gifts, Hospitality & Inducements**

Inducements, gifts and hospitality are all issues that could lead to potential Conflicts of Interest. SS has a strict view regarding such issues, which is documented in the **SS Conflict of Interest procedure**. All Employees must act with the highest standards of integrity to avoid any allegations of Conflicts of Interest.

Employees must not accept any cash payments, significant gifts or hospitality other than those “financial interests” allowed and outlined in this document. Token gifts may be accepted, providing they have not been solicited, have not been given as a business inducement and will not compromise SS’s integrity. A register is kept of any gifts, or hospitality received.

Employees cannot attend hospitality events, without their Manager’s approval. Where an invitation could be construed as being a business inducement, it must be declined.

All employees must adhere to the set limits regarding giving and receiving financial benefits from third parties, including product suppliers, other financial services providers and any associated companies.

These rules are contained in the Immaterial Financial Interest Rules outlined below.

In short, SS, representatives, key individuals and employees may not give or receive a gift or any other benefit from a product supplier, a financial services provider and any of their associated companies. You may, however, receive or spend up to R1000 per annum on incidental benefits incurred during normal business interactions as specified in the Immaterial Financial Interest definitions. This would include for example a business lunch, golf invitation or similar event.



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### List of State Street South Africa associated companies

The General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS) requires SS to include a list of all our associated companies and our financial interests in them in this document.

<b>STATE STREET CORPORATION (Co. 1006)</b>	Holding company of State Street Southern Africa (Pty) Ltd
STATE STREET SOUTHERN AFRICA (Pty) Limited	SA authorised financial services provider in terms of Section 8 of the FAIS Act
STATE STREET BANK EUROPE LIMITED trading as STATE STREET GLOBAL MARKETS	SA authorised financial services provider in terms of Section 8 of the FAIS Act
STATE STREET BANK AND TRUST COMPANY trading as STATE STREET GLOBAL MARKET AND GLOBAL SERVICES	SA authorised financial services provider in terms of Section 8 of the FAIS Act
STATE STREET GLOBAL ADVISORS LIMITED trading as SSGA	SA authorised financial services provider in terms of Section 8 of the FAIS Act
STATE STREET GLOBAL MARKETS INTERNATIONAL trading as STATE STREET GLOBAL MARKETS	SA authorised financial services provider in terms of Section 8 of the FAIS Act

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**ANNEXURE A**

- 1. Applicable Conflicts of Interest Policy

Available from your local compliance contact

- 2. SSSA Conflicts of Interest Procedures (maintained in SSSA)

Available on request from SSSA Compliance

- 3. SSSA Conflict of Interest Register\_template information

CONFLICTS OF INTEREST REGISTER									
SSSA Reference No	Star Compliance ref (if applicable)	Conflict Type e.g Material Financial Interests, Ownership Interests, Immaterial Financial Interests	Client/product Provider Name	Received from / offered to	Received by	Description of conflict (incl. detail and nature of financial interest etc)	Rand amount	OUTCOME- Description/ Comments AND Learnings	Conflict Controlled

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**ANNEXURE B**

**SS Conflicts of Interest Declaration**

To be completed by all duly appointed key individuals/directors/ representatives (incumbent person) of the firm on appointment of the regulatory role and on an annual basis thereafter:

- 1) Review the SS Conflicts of Interest Management Policy (the “Policy”);
- 2) Disclose any possible personal, familial, or business relationship that reasonably could give rise to a conflict of interest or the appearance of a conflict of interest in the Conflict of Interest questionnaire (below); and
- 3) To acknowledge by his or her signature that he or she is acting in accordance with the letter and spirit of such Policy based on the FAIS regulations in terms of a declaration.

**Section 1: Questionnaire**

**NAME of INDIVIDUAL and TITLE:-**

.....

*Please respond to the following questions to the best of your knowledge.*

*1. Responsibility to outline here your outside business interests, major shareholdings in other product suppliers, personal interests, family interests, directorships, consultancy, paid employment, other affiliations with other parties to a business transaction etc.*

*[Please list all corporations, partnerships, associations or other organizations of which you are an officer, director, trustee, partner, or employee, and describe your affiliation (remunerated or non-remunerated) with such entity.]*

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*2. In terms of the FAIS Code of Conduct you must disclose to the client the existence of any personal interest in a relevant service, or of any circumstances which gives rise to annual or potential conflict of interest in relation to such service, and take all reasonable steps to ensure the fair treatment of the client.*

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3. *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. Please list any received in last 12 months (can include incentive trips, sponsorships, gifts that amount to material benefits, business services, entertainment expenses, access of preferential, differentiated service/training/advice facilities, shareholdings, sales quota obligations, product biases etc.)*

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4. *Do you or SS (the provider) directly or indirectly hold more than 10% of any product supplier’s shares or equivalent substantial financial interests?*

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5. *With regard to the preceding 12 months , have you or SS (during that period) had any substantial financial interest in a product supplier, and if so, have you or SS received more than 30% of the total remuneration, including commission, from that product supplier?*

.....  
.....  
.....

I have read the SS conflicts of interest management policy. I am currently, and agree to remain, in compliance with the Policy at all times. I confirm that the above declaration is complete and correct to the best of my knowledge and belief.

*Signature* \_\_\_\_\_

*Date* \_\_\_\_\_

*Print Name:* \_\_\_\_\_

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**Section 2: Personal declaration with respect to Receipt of Financial Interests, Immaterial Financial Interests (R1 000 rule) , Ownership Interests and adherence to the SS Conflicts of Interest Management Policy.**

I,.....(full name and surname), hereby confirm that I have been made aware of the policy of SS with respect to the receipt of gifts and any other financial interests. I also confirm that I have not accepted any financial interest exceeding a monetary value of R1,000 in the last calendar year from any one product supplier or from any other third party, as defined in the FAIS General Code of Conduct. I lastly confirm that I have fully disclosed all ownership interests, as defined in the FAIS General Code of Conduct.

I hereby confirm the following:

1. I understand that the receipt of any financial interest, material or otherwise, can give rise to a conflict of interest that may be prejudicial to SS.
2. I fully understand that I must disclose the receipt of any financial interests to the management of SS who will evaluate the nature of the interest/s and decide on a course of action which may include the return of the Reward to the sender.
3. I understand that the failure to follow the above conflicts procedures could compromise the integrity and reputation of SS.

I acknowledge that I understand the above declaration and realise that failure to comply with the relevant internal procedures could after due process, lead to disciplinary steps and possibly, the termination of my employment and or debarment.

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

**Print Name:** \_\_\_\_\_